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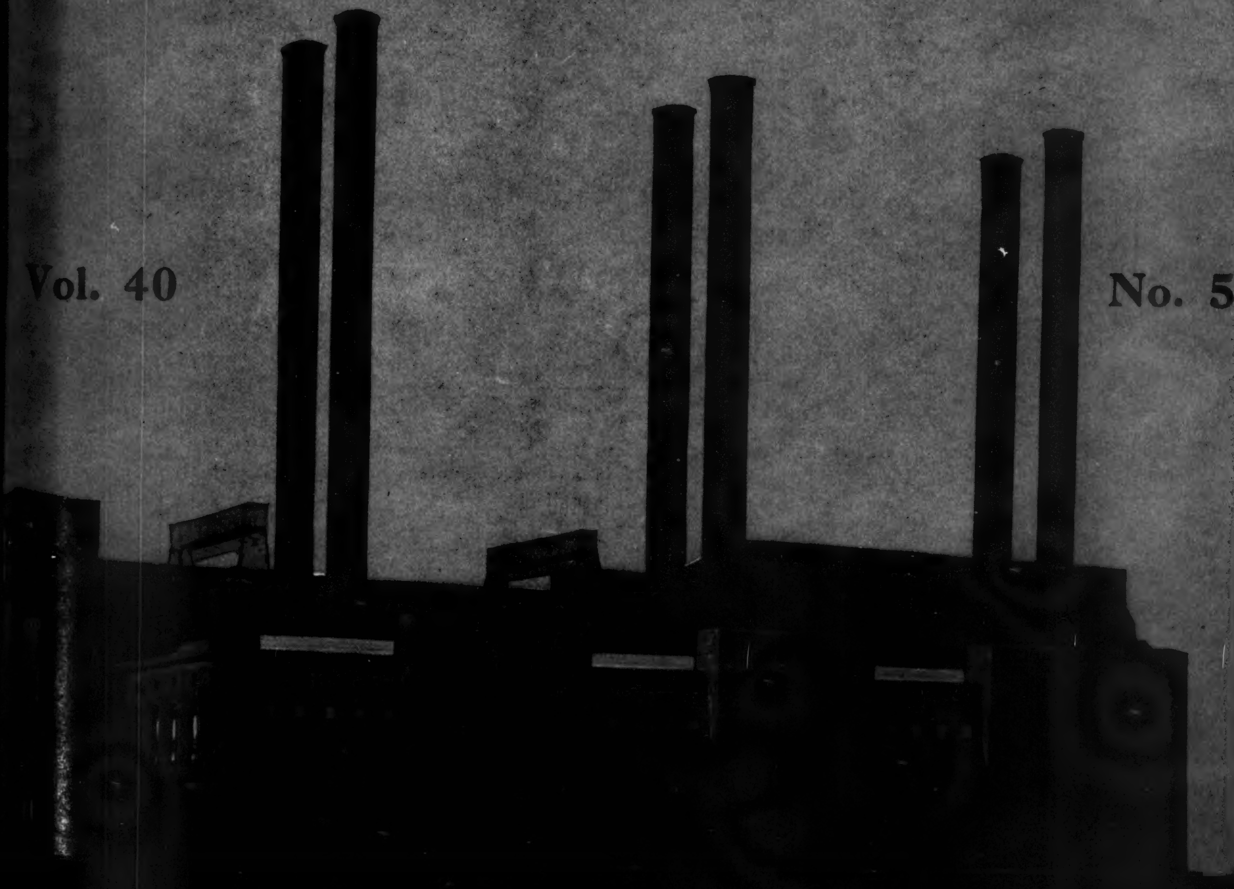

Vol. 40

No. 5

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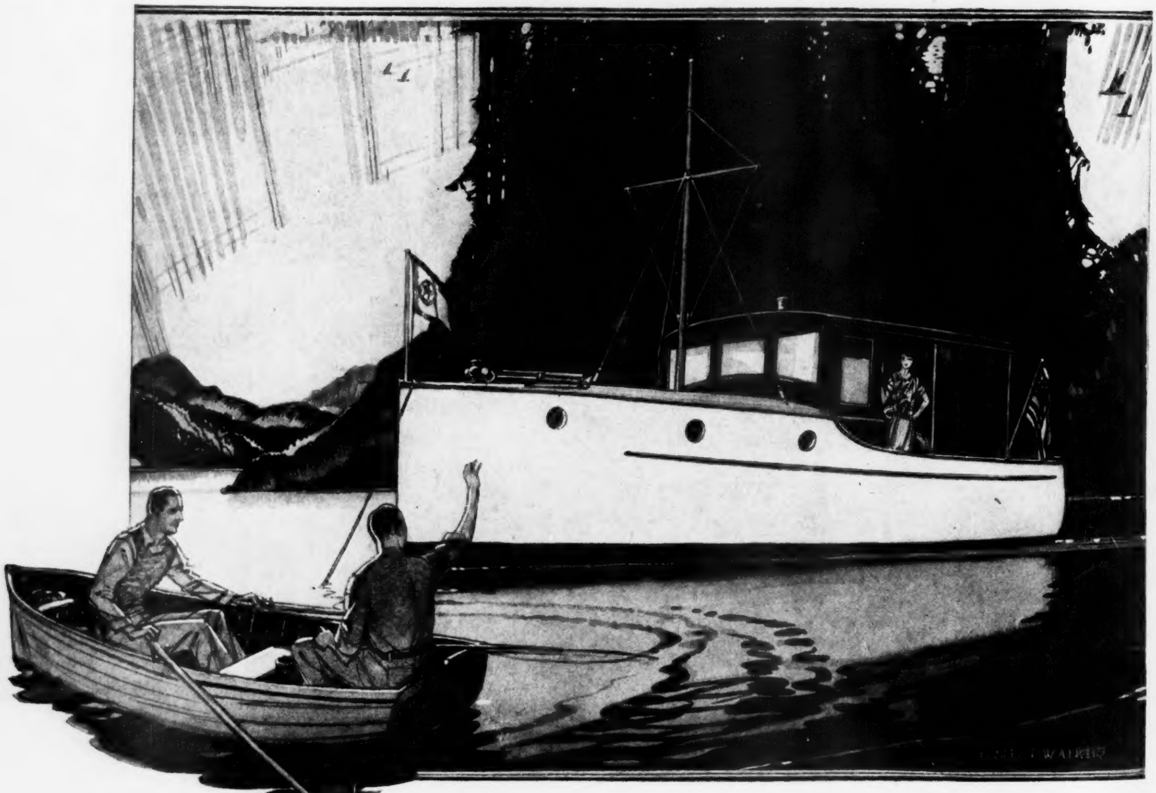

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Vol. 40, No. 5 · **July 2nd, 1927**

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July 2, 1927

WITH THE EDITORS

Stick to Industries That You Know!

THERE are a great many investors who are not familiar with any industries. They may be professional people, storekeepers or employees not in a position to obtain a thorough impression of the industries with which they are connected. In that case, they must trust to general impressions in making their investments, or frankly rely on the mature judgment of security experts.

But there are also large numbers of investors who have a fairly intimate knowledge of the workings of the industries and types of business with which they are connected. As such they occupy a position of great advantage though, unfortunately, large numbers of these investors are not conscious of it. Though they may have a sound idea of, say, the steel industry they will not use this knowledge in the purchase of steel securities when the time is favorable but instead indiscriminately buy a sugar stock or something else of which they have but a poor conception. Perhaps, it is a case of where too much knowledge takes the romance out of a situation; and since the average investor entertains romantic ideas towards security speculation, it may be inevitable that he will wander in paths far from home.

Yet the sensible course is to give first preference to securities in an industry with which one may be familiar. This tends to take the unknown out of a situation and should, in fact, help the investor.

Of course, the industry with which an investor may be most familiar may be on the verge of a decline and hence its securities may not be worth buying. In that case, the investor must perforce be content to invest in industries with which he is less familiar.

Yet the principle is valid. By watching his industry closely, the individual may become apprised of an imminent change for the better long in advance of the general public and thus benefit by "getting in on the ground floor." By the same token, he may be in possession of facts which would indicate to him that the industry was about to become less prosperous. This would afford him an opportunity to dispose of his securities before they declined materially.

It seems unnecessary to affirm that the investor in possession of specific knowledge of industrial conditions possesses a definite advantage. He can gain much better results by following this advantage to its fullest than by relinquishing it in favor of impromptu speculations in securities of which he has no special knowledge. This sound method, naturally, is the one employed by genuinely good judges of security values who would not think of making recommendations to investors without first making a detailed investigation into industrial conditions as applicable to the security in question.

Announcement

In the Next Issue

1. ***The Future of Railroad Consolidation***

—Why have recent proposed consolidations failed to meet the approval of the Interstate Commerce Commission?

—Are the railroads at fault?

—Can the railroads meet the requirements of the I. C. C.?

—Will the final outcome be compulsory consolidations?

—These and other important questions answered in this authoritative article.

2. ***Income and Profit Opportunities in Low-Priced Stocks***

—Covering all the leading listed stocks selling at $50 a share and under.

—A practical feature for comparative purposes, one that will be found highly useful by investors.

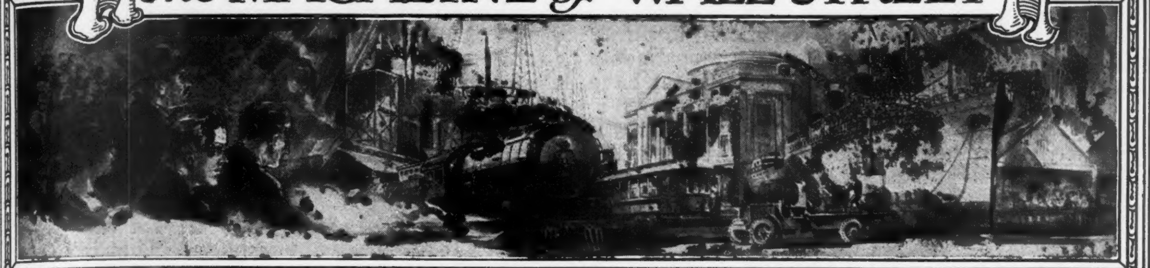
—Carrying statistics and comment on the market outlook for the securities.

These are only two of the important features in

The July 16th Number

Securities and Commodities, Analyzed, Rated and Mentioned in this Issue.

The MAGAZINE of WALL STREET



C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

Influence of Gold Imports on Credit Expansion and the Effect Upon Security Price Levels—The Market Prospect

THE effects of gold inflation have never been clearer than in the past few months. The extent to which gold imports have contributed in credit expansion are perhaps not fully appreciated but the situation is worth examining since it has probably exerted an important influence in the rise of security prices since the beginning of the year and will probably influence future security price trade.

* * *

As indicated by recent reports of Federal Reserve member banks, loans and investments of these institutions have risen about three quarters of a billion dollars since February. This unusual increase at a time when business volume has not made similar progress is due principally to the fact that banks have not had an adequate outlet for their funds in ordinary commercial loans but have been compelled to invest a large part of their funds in the outright purchase of securities for their own account.

For example, of the 750 million dollar increase in investments since February not much more than 100 millions have been contributed to by the expansion in ordinary commercial loans. Loans secured by stocks and bonds increased about twice as much as commercial loans. Approximately 430 millions of the total increase has been occasioned by bank investments and if we add loans secured by bonds and stocks, the total increase is 650 millions. Nothing could constitute a more striking commentary on existing business conditions in this country than to discover that the great bulk of the increase in the use of bank funds has not been devoted to business, which has not moved fast enough to require such a large expansion in credit, but to securities which have been inflated largely through the practically compulsory utilization of bank funds which otherwise could not be profitably employed.

The situation arises principally through the large additions to our gold stocks. For the first four months, there was a net increase in U. S. gold stocks amounting to about 86 millions as against 71 millions for the same period last year. Present stocks of gold amount to almost 4.6 billions of dollars. The rapid increase of gold reserves during the past few months has been largely due to important foreign developments such as currency stabilization and probably will not continue at the present pace much longer. Nevertheless as widening the credit base, they have had an important influence which must be taken into consideration. And their growth as a factor in the securities markets, at a time when there has not been a corresponding growth in business, remains a disquieting element.

* * *

It is commonly agreed that the industrial expansion and the growth of profits in this country during the past few years have acted as a legitimate factor in raising the price of securities. Of equally dynamic value has been the growth of credit facilities arising principally from our large gold stocks. Without adequate employment of the excess of credit facilities either at home or abroad, it was inevitable that funds be employed in the purchase of domestic securities. At the same

time, business has not continued to forge ahead in the same proportion as investments in securities with the result that prices have outrun values.

It remains then to examine the possibilities for further gold imports on a large scale. Currency stabilization abroad should in the near future result in withdrawals of gold from the U. S. Additionally, there is reason to believe that due to ordinary commercial transactions, except during the main period of cotton and wheat purchases from this country, an unfavorable balance of trade may be set up during which the gold movement may turn in the other direction. In any case, it is becoming realized more acutely that our huge gold stocks are contributing directly to a form of inflation with its most marked representation in securities.

We have become accustomed to feeling, as exemplified by our reactions to the continued decline in commodity prices, that we have passed the danger of inflation. Nevertheless, our gold stocks are now tending to bring about a situation of this type, and it would even be logical to expect a rise in commodity prices (though otherwise unwarranted) for the same reason that security prices have advanced, namely, as an outlet for unused bank funds. Hence, we may be closer to a brief period of frank inflation than is commonly realized.

Conservative banking interests are fully cognizant of the situation and would not be loathe to see a gradual loss in gold stocks in order to circumvent the threatening danger of excessive use of bank credit for what amounts to speculative purchases. That it is vital that the situation be not permitted to continue much further is indicated by the strong probability that any threat of curtailment of credit would result in the sale of quantities of securities now held by member banks. Sympathetically, this would have a strong influence on security prices. Obviously, any further increase in bank investments in securities increases the ultimate risk.

In any case, it seems clear from the foregoing that the part played by expansion of credit use based on increasing gold imports is one of the great factors in a sustained high level for securities. Obviously, the future of gold supplies in this country will constitute one of the prime features in the future of security price levels.

The Market Prospect

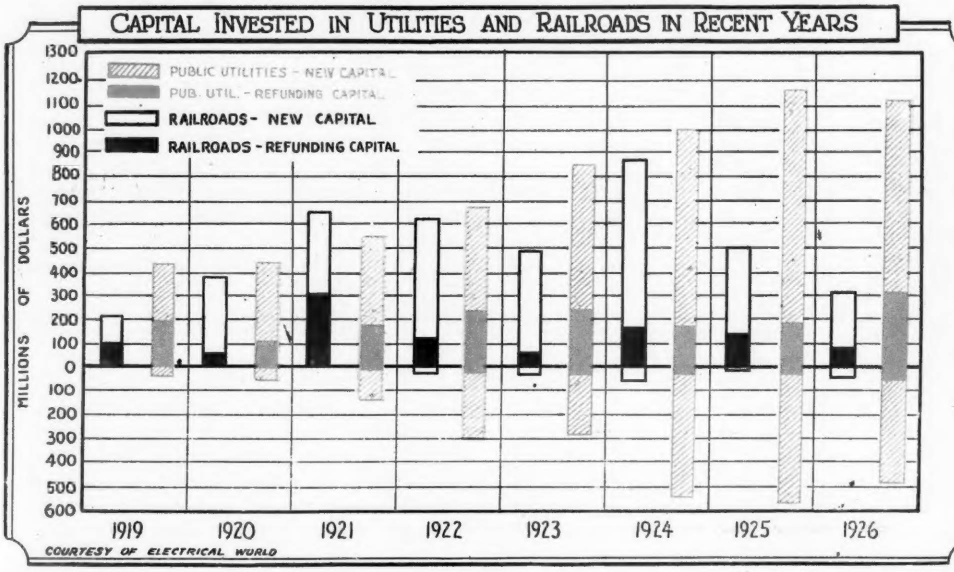
WEAKENING of the market underpinnings was indicated last week when after repeated indications of inability to make further gains, leading speculative issues broke sharply. This was followed by a minor rally of not especially convincing proportions. It has been apparent for some weeks that real investment buying of stocks had ceased and that the stage had been entirely given over to demonstrations by pools. Continued upbidding of stocks, despite multiplying evidence of increasing irregularities in business naturally could not be expected to maintain indefinitely. Hence, the most severe reaction of the year need not be a surprise. Offerings of issues which have enjoyed substantial advances during the past few months have become more prominent at the same time that pools show less of a disposition to support their pets.

It is to be doubted that the relatively minor adjustment of last week has successfully accomplished sufficient rectification to permit a satisfactory degree of stability in the market's position. The record-breaking volume of "brokers' loans" gives proof of the extent to which stock speculation has developed. Though allowance must be made for the fact that a not inconsiderable portion of loans on securities have originated from advances on newly issued but only partially distributed bonds, there presumably has been a very substantial increase in loans on pure stock collateral. Unfortunately, extant figures do not give the distribution of loans so that an accurate picture of the situation is impossible. Nevertheless, experience, as in the case of the February-March break of 1926, indicates that an excessive amount of credit is still being employed to facilitate common stock distribution from insiders to the general public. Judging by the successive increases in recent figures of "brokers' loans," the distributive process has reached substantial proportions.

It would seem a matter of ordinary discretion for the time being to limit new speculative commitments only to those issues which have not shared in the more or less general rise; that in many cases profits be taken on speculative issues which are being held at much lower prices and that investments show a smaller proportion of common stocks and a larger of preferred stocks and bonds. Probably the best opportunities for eventual profit are at present in the thoroughly liquidated groups such as the fertilizers, leather and shoe, petroleum, metal and miscellaneous issues which for specific reasons have been selling for a long time at low levels and which are ready to turn the corner.

Monday, June 27, 1927.

Public Utilities Reach Greatest Peak of Achievement in Their History



WITH an exceptionally fine record in 1926 to match, the public utility industries this year have shown definitely that the public may expect of them continued growth and prosperity from year to year. Gains made in 1926 have been consolidated and the outlook never more satisfactory.

To indicate the exceptionally sound position reached by the industry as a whole, it is necessary to cite only a few figures. For example, as revealed by THE MAGAZINE OF WALL STREET'S Common Stock Index, the average price of listed public utility stocks has advanced to a new peak of 110 as against a low last year of 82. Public Utility financing has reached a point of great stability in that the public has become thoroughly "sold" on the industry and has confidence in its securities. The result is that the cost of financing has steadily declined in proportion as the investment strength of the industry has increased.

Though marred here and there by a recrudescence of the old spirit of obstruction played in former years by public utility commissions, the relations generally speaking between constituted authorities and the companies remain exceptionally agreeable. It need not be said that this is the cornerstoner virtually on which investment confidence in the public utility industry must rest. Good-will, too, has been fostered by voluntary rate reductions in the case of several important companies.

Customer ownership does not seem to have lost its stride and represents one of the standard features of financing in this industry. The tremendous diversification of public ownership of the public utility industries remains a constant feature, steadily enlarging in scope.

Efficiency of management plays an important part in the growth of earnings. Modernized equipment which is now so typical of American industry has come to be the keynote of the utilities which clearly outrank in size and efficiency all other public utilities in the rest of the world.

New outlets for consumption of energy are constantly being devised. Additional facilities are being installed; and interconnections are increasing rapidly. Utilization of existing water power facilities has increased and will increase further.

From the financial end, the only major criticism, as heretofore, is generated by the rather excessive pyramiding of holding company control but this is an exceptional condition, viewing the matter broadly. As a rule, financing of the utilities, especially during the present year, has been along sane and conservative lines.

The public realizes the debt it owes to the untiring and efficient officials and employes of representative utility systems. From the social as well as the financial viewpoint, present business is entirely dependent on the further progress of the utilities. Hence, continued investment of capital in this group of essential industries remains a prime requisite if future economic growth of the nation is to be assured.

In order to present to our readers a picture of present-day conditions in the public utility field we have devoted an entire section to the subject, covering the various essential phases, together with our suggestions for conservative investment. To the various experts who have contributed to this section of the magazine, we take this opportunity of expressing our sincere appreciation.

What A Great Authority Thinks of Our Business Future

The author of the statements contained in this article is one of the outstanding members of the Administration and his views, consequently, have a particular urgency at this time. For reasons of policy, it has been deemed best not to disclose his identity.

An Astonishingly Frank Discussion

WHILE there are no new fundamental factors in the business situation, several changes have occurred, superficial at present but containing really significant possibilities. The most important of these is that whereas a year ago large-scale plans for expansion of industrial activities were not only being formulated but put into actual operation, at present such projects are being held in abeyance. The general feeling among important executives is that this is not an especially good time to embark on a program of large capital outlay for future productive purposes. They consider it better to watch for developments.

"The most interesting example of this is found among the railroad executives who are buying less and probably will continue on this basis for some time to come. Of course, this means merely delaying the inevitable active demand for equipment and materials so that eventually this business will be had but for the present and the immediate future the postponement of railroad buying is embarrassing to firms with whom the carriers do business.

"Volume of building construction this year represents a decline of probably 15% as compared with last year. Some localities are still underbuilt but, on the whole, the total amount of construction during the past few years has been slightly in excess of actual needs and it will take some time for this situation to adjust itself.

"Automobile business is not as good as last year though some manufacturers are holding up well. The major part of the industry, however, is feeling the effects of competition.

"From a statistical viewpoint, it is apparent that business and industry this year thus far has not measured up to 1926. Conditions are quite irregular. The steel industry, considered a good barometer, shows the effects of a smaller backlog of business by quoting lower prices at the expense of profits. Operations for the first few months continued at a satisfactory rate but are verging on a decline at present that seems likely to continue during the next few months. While it is properly held that the backlog of unfilled steel orders is not so important an index these days as it used be, nevertheless one should not disregard this factor completely. Its present trend is strongly suggestive of a condition of smaller profits for the industry during the major part of the balance of the year.

"The present may be regard as a sort of interlude in business conditions. We have been proceeding at an exceedingly rapid pace and a letdown from the present high rate of activity would be normal and should be welcomed as a tonic to jaded business nerves. The question to be determined, however, is whether the prospective lull in industry and trade will develop into something of larger proportions.

"One of the most significant trends at the present time and one that has been rather more noticeable thus far this year than in a considerable period is the perceptible narrowing of the profit margin. Wages are high and prices are down. Competition has grown very keen with the result that all but possibly the very strongest corporations in industry are showing the effects in smaller profits. Representative corporation earnings reports this year, while still fairly satisfactory, show a decline that seems likely to carry over into future reports

As Interviewed by

E. D. King

for the year. Perhaps the most striking manifestation of this condition is the surprising decline in railroad earnings in some territories.

"Since the high level of wages in itself has contributed to our prosperity there would be danger in tinkering with existing schedules. Unless business should run into a broad decline, it seems better to let wage rates stand where they are and let the corporations take up the difference. That is, from the broader standpoint it would probably be better that profits be smaller for corporations than to subject labor to smaller wages. In the first place, our accumulated wealth is so great that we can stand a short period of less profitable business. In the second place, to arbitrarily cut wages when conditions as at present are uncertain would merely hasten a protracted decline in profits, something that the wage cut would be designed to prevent. Hence, it is important to keep wages where they are and trust to an early improvement in the outlook.

"Perhaps the most serious element in the business situation is that the general backlog is not as great as it has been. Reference is not only to projections of plans for large scale expansion which, as shown, have declined considerably but to actual volume of business in sight. In many lines, the margin between a high rate of operations and one of very much smaller proportions is so close that production could drop sharply if the present backlog were to be only slightly curtailed.

"Fortunately, the money market is sound and is likely to continue so for a long period. It is difficult to see why interest rates should not continue on the present low level. While our gold stocks are perhaps abnormally high, there seems little possibility that we will relinquish much gold abroad. Ample capital prevails for industrial purposes and need for capital, owing to the irregularity in present and prospective business conditions, has grown and is likely to grow somewhat less. Hence, at least, business people are not likely to be compelled to face the burden of higher interest rates, along with their other burdens.

"Volume of foreign financing has fallen off with little prospect of a change in the near future. European nations are gradually coming back from an economic viewpoint and are steadily stabilizing their financial condition. Under these circumstances, it

Illustration by Hanson Booth. Copyright American Viewpoint Society. Reprinted by permission.

Though giving signs of wear and tear here and there, the business structure remains essentially sound. The present and prospective lull in business furnishes an opportunity to plan for the future.

is more likely that there will be a decrease in the need for foreign financing than an increase. This refers more to the present and immediately prospective situation than to the long-term future of which it would be impossible to make a forecast at this time.

"There need be little fear that we will be flooded with imports from abroad. The United States is not the only country to whom foreign countries would like to sell. South America, for example, represents a vast and growing market for all the world and certain European nations are striving to increase their commercial outlet in that market.

"The stock market represents a curious anomaly in that prices of securities which share in earnings, on the whole, have been advancing rapidly since the first of the year though manifestations of decreasing business and profits have become more acutely marked than at any time in the past few years. This probably can be explained by referring to the money situation. Funds for investment are increasing and, without sufficient outlet in commercial transactions, it is inevitable that they be put to work in the next most available form of investment, that is in securities.

"The banks, as is their custom, have gone in heavily for short-term investment. The public, however, has distributed its funds in stocks. Naturally, under the impetus of this buying movement, security prices have advanced without respect to the fact that earnings have not kept pace.

"While there are of course many individual companies which will show up well from an earnings standpoint and thus confer legitimacy to the advance in the price of their securities, nevertheless from the speculative viewpoint this is perhaps not the most logical time to enter heavily into stock commitments. It might be argued then that to a certain extent the present movement in speculative stocks, largely based on cheap money, rests on a rather artificial foundation. In the final analysis, the only sound foundation for a rise in stock values is the prospect for better business and larger profits.

"Returning then to the business situation, it seems clear based on available statistics and reports from various industries, that we are in a period of lull, or reaction from the unusually high rate of activity which marked conditions during the latter part of 1926. The uncertain element is the duration of the lull. Will it end in autumn or will it continue over into next year?

"In the commencement of this article, it was stated that there has been no change in fundamental business factors, in those factors which have essentially contributed to our prosperity during the past few years. Owing to our high degree of efficiency in production and distribution, we have reached a stage where it is not as difficult as years ago to control the situation economically. Inventories are low and the cost of carrying them cheap. Merchants are not loaded up with goods on which, as in other times under similar circumstances, they would have to take a large loss. Wealth accumulation in this country continues on a large scale. The old days of violent changes in basic business conditions have gone, perhaps forever. In other words, we rest generally on a stable foundation.

"While temporarily profits may not be so great and while they may decline somewhat further, this is the inevitable reaction from a period of sustained high profits. Every business man expects minor fluctuations in his profits and few important people are really worried as to the outlook.

"That we will return to a period of great general prosperity seems inevitable though it may be postponed a little longer than we should like. But that we are headed toward a genuine reversal in conditions which would bring about a sustained period of poor business seems quite unlikely. On the other hand hand, it is at least equally likely that the present factors making for unsettlement in trade and industry and which are producing a period of smaller profits may cease suddenly.

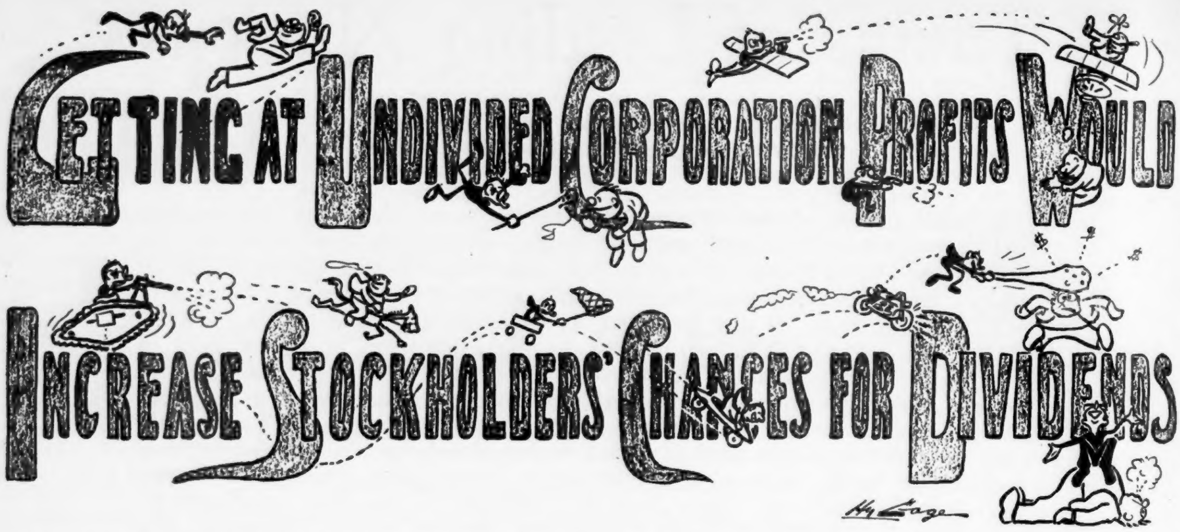
"One thing it is necessary to bear in mind and that is that any weak spots which seem to be creeping into business conditions today are of a rather superficial order, that while there are possibilities of a somewhat slower recovery back to general prosperity than has been the case under similar conditions in recent years, the business structure remains essentially as sound as it has been. Incidentally, it may be pointed out that this is precisely that type of situation in which, while it may not be desirable to actually execute formulated plans for industrial and commercial expansion, plans should now be laid for future growth so that the opportunity may be seized at the right time."

THE present may be regarded as a sort of interlude in business conditions. We have been proceeding at an exceedingly rapid pace and a let-down from the present high rate of activity would be normal and should be welcomed as a tonic to jaded business nerves. The question to be determined, however, is whether the prospective lull in industry and trade will develop into something of larger proportions.

This article represents the opinion of one of the greatest financial experts in the country. Coming at a time when business people are somewhat uncertain about the future, it possesses inestimable value.

Tariffs of Leading Nations Compared

THE object of this illustrated diagram is to show the comparative heights of the tariff walls of leading foreign nations in contrast to the United States. It will be seen that while United States duties on imports exceed those of practically all other nations, the difference in many cases is not as great as is generally believed to be true. Many of the European nations, in particular, are busily engaged in erecting tariff walls that, if continued at the present rate of increase, will in the not distant future match those of this country. Moreover, it is not generally appreciated that most import items come into the United States duty free, the nominally high level of our customs rates being due almost entirely to the high tariffs on a selected number of commodities which have a wide market in this country. Many European nations, on the other hand, are resorting to the practice of posting duties on imports even if these are purchased from abroad in very small quantities.



Getting at Undivided Corporation Profits Would Increase Stockholders' Chances for Dividends

Putting teeth into that section of the Federal Revenue Act that aims at accelerating the distribution of corporation surpluses to shareholders would delight smaller stockholders and check colossal evasion of taxation by those who can best support it.

By THEODORE M. KNAPPEN

TAXATION, the pundits tell us, should be innocuous and efficient if it is to be economic. Both attributes are wholly idealistic—there has never been a tax that was both innocuous and efficient, even it has been truly one or the other. Most systems of taxation are both economically harmful and inefficient—they injure commerce and fail to garner all the revenue they should.

Perhaps the only device of taxation on the federal statute books that is innocuous is the tax on corporation surpluses—and that is because it is not applied. Although the country is paved with pursy corporation surpluses, not one single cent has been extracted from them, as duly made and provided in the law of the land—not for these ten years.

Statesmen who are continually bemoaning the decadence of the United States, being the lineal descendants of the same sort of public gentlemen who were oratorically ruining the Republic one hundred years ago and ever since, are quite sure that the failure of Section 220 of the Revenue Act is one of the sign posts of history on our way to destruction. When wealth escapes taxation and competence pays, we are assured, there is something rotten in the State, something that portends dissolution.

Immensity of Corporation Surpluses

According to their own returns (the year 1924 is taken as typical) the corporations of this country enjoyed a net taxable income of $7,587,000,000. And anybody who has ever struggled through an income tax return knows that a net taxable income may be very net if you are smart enough to take all the law allows you.

Now out of this $7,600,000,000 of minimum netness the corporation disbursed as cash dividends only $1,883,000,000. This leaves, roundly, $5,700,000,000 in the corporation treasuries, much to the disgust of the keen sort of tax collectors—for if this huge sum were removed from corporation treasuries and placed in individual pockets much, if not most of it, would be subject to the stiff surtax rates.

In the possession of the corporations this tremendous sum has no revenue possibilities, whatever, having paid the normal corporation tax of 13½%; but if it were cut up and distributed it would pour a golden flood into the treasury of the United States—that overflowing treasury that has no problems but of the surplus, and refuses to dispose of it by preventing it.

Here, then, is a form of taxation that if 100% innocuous, is also 100% inefficient. It harms not, neither does it collect. That is, it does neither under the present administration. If its policy were actuated by a clearer understanding of the innate depravity and irreclaimable iniquity of corporations the situation might be reversed. Section 220 might then become vicious and drastically efficient as a means of replenishing a treasury that can not be depleted.

When the income tax law was instituted back in 1913, it was perceived that corporations might withhold the distribution of earnings in order to evade the collection of the surtax from members. So Congress undertook to levy an additional tax on individual incomes of stockholders of corporations that were "holding out." Each shareholder of a corporation guilty of accumulating profit beyond the "reasonable needs of the business" was to be taxed on his share of the undistributed profits—a proceeding that was calculated to eliminate "undistribution." But it didn't. So far as known nobody has ever voluntarily made a return of undistributed income—as required by the law in its later forms, if the corporation itself is to escape punitive taxation (now fixed at 50% of the holdout), and the most diligent search has failed to reveal a single corporation that has voluntarily divested itself of its surplus in order to comply with the law. On the contrary, corporation surpluses continue to mount just as merrily as if there were no law on the subject; and the down-trodden common man—according to social commentators of a certain school—continues to pay through the nose, whatever that means.

Evading the Tax

Not only do the genuine commercial and industrial corporations withhold dividends while minor stockholders rage, but there has sprung up a class of corporations whose chief, if not sole, business is to evade Section 220—although the satirically inclined question why anyone should be so forehanded as to seek to evade a law that has never been enforced. If the text of the law is any guide, the purely evasive corporation, inspired by Section 220, began to be in evidence before 1918. The revenue act of that year, and every revenue since, has paid its respects to these nefarious entities, which have, however, continued to flourish; as is so fre-

quently the unaccountable way of the wicked. Much fulmination and no rending.

Chairman Wm. R. Green, of the Joint Congressional Committee on Internal Revenue Taxation—a committee that aims to make federal taxation both harmless and efficient—long ago placed his diagnostic finger on Section 220 as one of the weak, if not infected, spots of our taxation system, and determined that the brand new system that is to arise from the reforms inaugurated by his committee would contain a Section 220 that would work like a sharp lawn mower on moist grass of the right length. Accordingly, the Division of Investigation of this committee had not been at work very long before it was put on the scent of "evasion of surtaxes by incorporation." Not long thereafter it made a report that has kept the committee explaining ever since how it happened in a well-regulated Republican administration.

"Congress recognized in framing Section 220," says the Investigation Division, "that a corporation, either closely held or controlled by men of considerable wealth, could be organized or availed of in a manner which would permit such individuals to escape the surtaxes which would fall upon them where a normal distribution of profits was made.

"For example, suppose a corporation should have a net income of $1,000,000 per annum. The stock of the corporation is entirely owned by a man and his two sons. While there is no reasonable need of accumulating this $1,000,000 profit, nevertheless, by doing so the individual stockholders will save a large sum in surtax if they distribute just enough money upon which to live. It was the purpose then of the Congress to put such a tax upon this unreasonable accumulation of profit as would cause no loss of revenue to the government, whether such distribution of profit was made or not." This sentiment was enthusiastically applauded by the unwept and unsung corporation minorities, for they knew that in operation it would shake down juicy plums from overloaded dividend trees.

Surpluses Exempt

The Investigating Division then went on to say that in its opinion Section 220*was purposely made sufficiently broad in scope to be effective wherever there was an unreasonable accumulation of undivided profits, or in any case whatsoever—whether the offending company were a "mere holding or investment company"—or a hard-working productive commercial corporation. Nevertheless, the Investigating Division finds that the Bureau of Internal Revenue exempts large industrial corporations from Section 220, no matter how enormous their surplus, and how small their dividend.

Although not formally disclosing the identity of a certain corporation taken to illustrate the bias of the Bureau of Internal Revenue, the Investigating Division cited an example well known to be that of the Ford Motor Company. This corporation is entirely owned by Henry Ford, Mrs. Henry Ford and their son Edsel Ford. Here is the record of its net income and dividends paid during the years 1922 to 1925:

Year	Net Income	Dividends Paid
1922.............	$138,556,008	13,811,600
1923.............	115,884,461	None
1924.............	131,945,287	14,674,825
1925.............	138,841,498	16,401,275

It is plain to see that the Investigating Division is convinced that the "reasonable requirements" of this business did not require that 90% of its net income should be retained, notwithstanding the Treasury view that a case can be made out for that contention. "This surtax," the Investigating Division says, "should certainly be paid if there is to be an equitable distribution of the burden of income tax upon our citizens." Then it adds, by way of advice to the Ford Motor Company, that "there is nothing to prevent the stockholders in this corporation from reinvesting the distributed profits in the business after the payment of the surtaxes."

The sympathetic idea of the Investigating Division is that if the Ford family feels that it cannot in justice to the welfare of the company take any larger personal profit than at present, it can patriotically take out increased profits just long enough to give Uncle Sam the surtax bit, and then put them back in the business. Had the Ford family followed this patriotic course, and distributed its entire net income during the four years under consideration, the United States would have received $168,000,000 more than it did.

An Interesting Case

Neither does the Investigating Division find that the Bureau of the Internal Revenue is much more successful in squeezing lawful revenue out of the companies notoriously formed to evade the law, but the division is kind enough to say that one class of these evaders is adroit enough to accomplish its evasion in an entirely legal manner. This is the way it is done, as exemplified by a particular plutocrat:

This favorite of fortune is the principal stockholder of a profitable manufacturing corporation. He incorporated a holding company and turned over to it the stock in the manufacturing business. The principal, if not the sole business of the holding company, is to receive dividends from the manufacturing company, but, as all of its income is derived from dividends of the stock of domestic corporations, which is not taxable, it has no taxable income and there is nothing upon which to apply the 25%

(*Please turn to page* 471)

Surplus Per Share of 17 Leading Corporations

	Common or Capital Stock Outstanding (Shares)	Earned Surplus Dec. 31, 1926	Earned Surplus per Share
Allied Chem. & Dye..	2,178,109	$99,000,000	$45.45
Amer. Locomotive	770,000	24,500,000	31.81
Amer. Smelt. & Ref....	609,980	24,000,000	39.34
Corn Products Ref. ...	2,530,000	12,500,000	4.94
Eastman Kodak	2,051,310	71,000,000	34.61
Fleischmann Co.	4,500,000	39,000,000	8.66
General Electric Co. ..	7,211,481	103,000,000	14.28
General Motors	8,700,000	89,000,000	10.23
B. F. Goodrich	601,710	21,000,000	34.90
Great Western Sugar .	150,000	36,500,000	243.33
International Harvester	998,767	77,000,000	72.10
May Dept. Stores	1,040,000	18,500,000	17.78
National Biscuit	2,046,520	19,500,000	9.53
National Supply Cos....	265,900	14,000,000	52.65
Owens Bottle Co.	504,899	9,000,000	17.82
U. S. Steel Corp.	5,083,025	528,000,000	103.87
*Westing. Elec. & Mfg..	2,290,089	54,000,000	23.58

* As of March 31, 1927.

Nation's Youngest Industry on Verge of Real Expansion

By
ARTHUR M.
LEINBACH

Business and Financial Aspects of Aviation

THE recent non-stop flights from New York to Paris and Berlin are indeed conspicuous mile-stones in the progress of aviation in the United States. Not, of course, that these feats herald the establishment of trans-Atlantic air service—that is still a long way from realization—but the widespread interest that centered in aviation exploits before and after the flights is necessary for the metamorphosis which aviation is now undergoing in America.

It is doubtful if any of the flyers themselves or those associated with them in their internationally famous flights realized what a responsive chord their feats would strike in the public mind. American aviators had carried off aviation honors and marked up new world records in the past only to find a general apathy among the great masses of the people. When Colonel Charles Lindbergh took off in the *Spirit of St. Louis*, he personified the status of American aviation as far as the sympathy and interest of the American people were concerned—he was flying alone. But as the *Spirit of St. Louis* with its daring lone pilot surged through the day and the night across the waters of the Atlantic, the spirit of America awakened to the fact that modern transportation has at last found its third dimension.

"By land, by sea and by air"—once a mere flight of poetic fancy, is now a true measure of the full scope of transportation development. In Europe it is a reality. In America it is soon to become a reality. Yet of the millions who not so long ago lustily acclaimed the home coming hero of the New York to Paris flight, there were mighty few who realized the critical step forward that aviation is about to make in the United States at this time. Probably none appreciated more thoroughly than Charles Lindbergh himself, that the widespread interest, the national enthusiasm and the genuine interest in air exploits stimulated by these flights, puts American aviation miles ahead of the "air circus" stage into which it had fallen within recent years.

America might well cheer lustily the accomplishment of trans-Atlantic non-stop flights. The comparative few who really know the story of aviation on this continent find little else to pin their national pride to as far as air transport development is concerned. With the exception of the Air Mail, of which both Lindbergh and Chamberlain are first-class products, and the Army and Navy Air Services, America has done little more than mark time during the past three or four years, while European countries made phenomenal strides in building up their commercial air routes. Even the sporting and technical honors, of which the United States held a lion's share in 1923, have since passed on to Europeans in much the same manner that

they have outstripped us in commercial air development.

Coincident with their recent burst of glory, Americans are now starting to check up on their own air status and what they find, in contrast with the air development of other nations is just a little bit disappointing. There are only two regular passenger air routes in this country at present over a year old. Both are really experimental inter-urban lines covering a stretch of less than 150 miles and do not "break even" as financial enterprises.

Government Support Lacking in Past

It is only within the year that the necessity for Federal regulation of air traffic has been recognized and this as far as interstate traffic alone is concerned while about less than twenty states have any air laws—practically all negative legislation at that. No air enterprise has been able as yet to demonstrate its ability to pay its way and consequently investment capital is not forthcoming for future development except on a sort of a charity basis. The Government provides no subsidy to fill in this gap and up until very recently has given very little moral support or encouragement to aviation as an industry.

The Air Mail is an auspicious success in the otherwise uneventful record of the development of commercial aviation in America. And it is from this nucleus that commercial aviation is now about to step out and assume proportions of a real factor in our scheme of transportation. Of this more will be said later. It is not of the past, but of the future.

With their interest in aviation at a high-water mark at present, American businessmen, bankers and laymen are asking, "Why is aviation in this country so far behind Europe and what can we expect for the future?" The first part of this question is answered by tracing the underlying factors behind the growth of aviation in foreign countries. All of the factors back of the progress in air service abroad are, or have been, lacking in this country and perhaps recognition of them will help to answer the second part of this question.

Practically every important city in Continental Europe can be reached today by de luxe cabin passenger air service over regularly established routes that are maintained with the efficiency of railways and steamship lines and offer virtually a consistent promptness and regularity. The magnitude of the European air transportation system can be summarized briefly in the operations of over thirty-five regular passenger air transport companies which service 30,000 miles of regularly scheduled traffic and maintain some two thousand machines in this service. The important air routes are equipped with beacons and markings for day and night service, meteorological reports are available from each of the completely equipped air terminals and every Government facility is offered in wholehearted co-operation that makes it possible to depend on scheduled trips on the air time tables of Europe.

Air Travel Facilities in Europe

One travels from London to Stockholm in twenty hours' time, passing over Paris, Brussels and Berlin, or stopping off at any of these three capitals along the route should business or pleasure make a stop desirable. Paris is only a day's journey from the coast towns of Africa by the present air routes and by the middle of summer a regular trans-Atlantic passenger service will be in operation from Seville, Spain, to Buenos Aires, Argentine—the distance to be covered in 75 hours, bringing Paris four days away from Buenos Aires instead of the three weeks now taken up for the same trip.

The European business man, who considers his time worth more than the slight premium over the highest railroad fares, may eat his breakfast in London, devote several hours to a business conference in Paris before lunch, em-

LONDON—BRUSSELS—COLOGNE—ESSEN—MAGDEBURG—BERLIN—STETTIN—MUNICH HAMBURG—COPENHAGEN—DUSSELDORF—FRANKFURT—MANNHEIM—STUTTGART—KARLSRUHE.

IMPERIAL AIRWAYS, LTD.

TIME TABLE (weekdays only.)

8.30	dep. London (Croydon) ..arr.	18.15
11.00	arr. Brusseis ....dep.	15.45
12.45	arr. Cologne ....dep.	14.00
13.00	dep. Cologne ....arr.	13.20
13.25	arr. Essen ....dep.	13.05
17.00	arr. Berlin ....dep.	9.30
13.15	dep. Cologne ....arr.	13.15
16.15	arr. Madgeburg ....dep.	10.15
17.25	arr. Berlin ....dep.	9.00
19.10	arr. Stettin ....dep.	7.00
13.30	dep. Cologne ....arr.	13.15
15.45	arr. Hamburg ....dep.	11.00
16.15	dep. Hamburg ....arr.	10.30
17.45	arr. Copenhagen ....dep.	9.00
14.05	dep. Cologne ....arr.	12.50
14.25	arr. Dusseldorf ....dep.	12.30
13.15	dep. Cologne ....arr.	13.35
14.35	arr. Frankfurt ....dep.	12.15
15.50	arr. Mannheim ....dep.	10.35
17.00	arr. Stuttgart ....dep.	9.30
18.45	arr. Munich ....dep.	7.30
15.00	dep. Frankfurt ....arr.	11.10
15.35	arr. Mannheim ....dep.	10.35
16.20	arr. Karlsruhe ....dep.	9.50

FARES:—

	Single.	Return.
LONDON—BRUSSELS	£4 0s. Od.	£7 5s. Od.
LONDON—COLOGNE	£5 15s. Od.	£10 5s. Od.
LONDON—ESSEN	£6 15s. Od.	£12 10s. Od.
LONDON—BERLIN ..	£10 10s. Od.	£20 10s. Od.
LON.—MAGDEBURG .	£9 5s. Od.	£17 5s. Od.
LONDON—STETTIN	£12 0s. Od.	£22 15s. Od.
LON.—HAMBURG ..	£10 0s. Od.	£18 15s. Od.
LON.—COPENHAGEN	£11 15s. Od.	£23 0s. Od.
LON.—DUSSELDORF..	£6 15s. Od.	£12 5s. Od.
LON.—FRANKFURT ..	£7 10s. Od.	£13 5s. Od.
LON.—MANNHEIM ..	£8 10s. Od.	£15 15s. Od.
LON.—STUTTGART ..	£9 10s. Od.	£17 15s. Od.
LONDON—MUNICH .	£11 0s. Od.	£20 5s. Od.
LON.—KARLSRUHE .	£9 5s. Od.	£17 5s. Od.

The fares include conveyance by automobile to and from aerodromes, also a free baggage allowance of 30 lb. per person; excess by arrangement.

Regular time and fare tables of some of the European Air Lines.

Just like our railroad time-tables, even including baggage arrangements and transportation to air terminals. Time is designated by the 24-hour system.

PARIS—STRASBOURG—NÜRNBERG—PRAGUE—VIENNA—CONSTANTINOPLE

BRESLAU—WARSAW.

COMPAGNIE INTERNATIONALE DE NAVIGATION AERIENNE.

TIME TABLE.

Weekdays		Weekdays
5.15	dep. Paris (Le Bourget)..arr.	18.30
8.15	arr. Strasbourg ....dep.	15.30
8.45	dep. Strasbourg ....arr.	15.00
10.45	arr. Nürnberg ....dep.	13.00
11.15	dep. Nürnberg ....arr.	12.30
13.15	arr. Prague ....dep.	10.30
13.45	dep. Prague ....arr.	10.00
15.45	arr. Vienna ....dep.	8.00
16.15	dep. Vienna ....arr.	7.30
18.00	arr. Budapest ....dep.	5.45
5.30	dep. Budapest ....arr.	18.15
8.00	arr. Belgrade ....dep.	15.45
8.30	dep. Belgrade ....arr.	15.15
13.15	arr. Bucharest ....dep.	12.30
13.45	dep. Bucharest ....arr.	12.00
17.45	arr. Constantinople ......dep.	8.00
13.45	dep Prague ....arr.	10.00
15.15	arr Breslau ....dep.	8.30
15.45	dep. Breslau ....arr.	8.00
18.15	arr Warsaw ....dep.	5.30

FARES:—

PARIS—STRASBOURG	Fcs. 400.
PARIS—NÜRNBERG	Fcs. 935.
PARIS—PRAGUE	Fcs. 1330.
PARIS—BRESLAU	Fcs. 1600.
PARIS—WARSAW	Fcs. 1730.
PARIS—VIENNA	Fcs. 1600.
PARIS—BUDAPEST	Fcs. 1795.
PARIS—BELGRADE	Fcs. 2025.
PARIS—BUCHAREST	Fcs. 2395.
PARIS—CONSTANTINOPLE	Fcs. 3200.

The fares include conveyance by automobile to and from aerodromes, also a free baggage allowance of 15 kilos. per person; excess by arrangement.

Air Transport Industries to Blossom Out Rapidly and Vigorously

By WM. P. McCRACKEN, Jr.

Assistant U. S. Secretary of Commerce for Aeronautics

COMMERCIAL aviation in the United States will blossom out in response to the intense public interest Colonel Lindbergh has concentrated on it, as the desert after a drenching rain. It will expand and multiply in the next few years as the automobile, the moving picture and the electrical industries have within the last two decades. As was the case with them, we shall take world leadership with a rush.

It will be a fallow field for all sorts of promoters, developers, investors and speculators. I look to see large numbers of new companies formed; a period of wildcatting and adventuring, to be followed by a winnowing out and refining process; and finally emergence of an immense new addition to our industrial and commercial life affording wide fields for capital. This impending development will be along four lines:

First, there will be the manufacturing field, which will be divided among; (a) the manufacturers of aircraft proper; (b) manufacturers of motors; (c) manufacturers of accessories; and, (d) manufacturers of equipment for airways and airports.

Second, there will be a great swarming of operating companies—companies to carry on air transport in these three fields:

On regular routes and schedules;

Air taxi or livery concerns;

Industrial services, such as the use of airplanes to cruise and patrol forests, make photographic surveys, spray orchards, dust cotton with insectides, etc.

Third, there will be many airport companies, some for profit and some non-profit, to take up the work which Colonel Lindbergh has so well emphasized as primary—of providing terminals in case they are not provided by municipalities.

Fourth, we shall have companies along the familiar lines of unions of capital and engineering, which will take up the whole field of aeronautical development, organization, financing and construction of a given project.

The possibilities of the aeronautical field, taken as a whole, are enormous and, now that dynamic interest has been aroused, assure a huge development with spectacular rapidity. Lindbergh's bright blaze of glory has fused years of growth into weeks.

There is ample room for a great new transportation industry that will largely make its own business and will, therefore, be a source of much new wealth and opportunity. Airplanes will not reduce the volume of passengers or freight carried by automobiles and railways. They will make a new class of passengers and a new class of express and freight; and, thereby, make new business for the surface mediums. They will remake our commercial geography and bring some interesting upsets. For instance, the airplane may prove a godsend to New England industries of certain classes, as transportation measured in a few hours more or less may be no consideration at all in competition, whereas a few days more or less are vital. An increase of travel will result from the fact that men who cannot afford a week or a day, for example, for some business or social affair can often afford a day or an hour. Where they used to wire and telephone they will now go in person.

There will be a specialized freight service in small articles and in parts of machines, for illustration, that will tend to create a new business because it speeds up old business. Just as this sort of transport will help New England, say, it will also help some central cities in their rivalries with outlying competitors. The latter, in turn, may be helped as against the smaller cities, or it may work the other way.

Already corporations are daily carrying United States mail on 17,000 miles of routes, and more or less express is going over parts of those routes. The transcontinental mail route is about to be taken over by private corporations, and then the whole of the air mail will be transported by flying companies—20,000 miles and a dozen or more companies. Backward in other commercial aviation fields, we are easily world leaders in mail transport. There is already a limited amount of regular air passenger and express transport in this country, but it will multiply amazingly. The volume of air taxi business, including machines used for the exclusive business purposes of their owners, is now considerable and is due to reach great proportions.

I have no doubt that within the next two or three years the associated aeronautical industries will attain proportions that will command the daily interest of investors and the stock exchanges, and that their creation of new demands for basic products and old or new secondary products will be weighty factors in the creation and maintenance of prosperity, as they will afford outlets for capital, investors, managers and employes from fields of production that are, or may be, saturated in view of present demand, and will provide an inviting new field of desire and demand for millions of consumers.

bark on the regular service to Berlin, arriving there before the closing of the Bourse; enjoy an early dinner in the German capital and attend a mid-night theatrical performance in Vienna. Then after a refreshing five-hour sleep in a luxurious air Pullman, he arrives in Rome next morning in time for breakfast.

And by this time European businessmen and tourists are coming to take their air service as casually as all that, while most Americans still regard an aeroplane as an instrument of war or sport, a delightful barnstorming experience at the county fair or a sort of an emergency kit which one uses in times of great stress at the risk of one's life. Although Europe was never quite as "air shy" as America, still at the inception of the present passenger air services, similar difficulties were encountered by the pioneer companies. During the earliest years of the development of air transportation abroad, however, the foreign governments were willing to step into the breach and back the efforts of private companies with subsidies and other means of encouragement until the traveling public became accustomed to its new vehicle for transportation. And the spirit which prompted the support of the foreign governments to aviation goes back to the war, and looks ahead to the next war or at least to a means of preventing the next war.

During the war, the Powers on both sides experienced severe setbacks in their efforts to muster adequate equipment and personnel in the air branches. In the first place, the transformation of peace time factories into airplane production units disclosed a hopelessly inadequate degree of mechanical technique and training in the manufacture of fighting machines. After tremendous expenses and discouraging delays, machines that met government specification were forthcoming but with only a comparative handful of trained, experienced aviators to man the new ships. Throughout the war, airplanes proved themselves to be one of the most formidable weapons of both aggressive and defensive warfare. It is now a conviction abroad that the nation that should find itself inadequately fortified in air equipment during the next war will be at a serious disadvantage to its enemy with superior air fighting forces.

With this thought in the background, none of the great nations of Europe desire to have peace time aviation fall back to its position in 1914. England was one of the first nations to put wholehearted government encouragement and support back of her infant commercial air industry. In-

ventors and designers were encouraged by the purchase of patents on liberal terms, manufacturing concerns had a market for their planes, motors and other aerial equipment through the extensive purchases by the Air Force and commercial companies were granted liberal subsidies, based on the amount of miles serviced by regular passenger routes.

Although one of the first nations to take commercial air transport seriously, England has not maintained her leading position, for Germany released from limitations imposed on aviation development by the Versailles Treaty about a year and a half ago has forged ahead in the interval to leading position. Commercial aviation in both England and Germany are operated as private enterprises having a virtual monopoly on air route development through subsidies. The English company is the Imperial Airways, Ltd., and the German monopoly is known as the Deutsche Lufthansa. Both are amalgamations of a number of private concerns, the former controlling the subsidies and the latter being 45% Government owned. France has no monopoly, but various private concerns offering over 8,000 miles of established passenger service obtain subsidies from the French Government. Altogether it is estimated that about two-thirds of Europe's total investment in commercial air transportation is represented in Government grants or subsidies in one form or another.

America's Aviation Dilemma

Subsidies to help European companies over the difficulties of the pioneer years, of course, are largely responsible for the headway those concerns made over American companies. If America is to regain the lost ground, how can the infant industry lift itself up by its boot straps without subsidies? How can capital be made available for the development of air transport when the experiments at commercial aviation to date have failed to show it can pay its way? Without the public consciousness tuned to recognize commercial air routes as a national asset in times of peace and the nucleus for a weapon of defense in time of war will aviation in the United States successfully pass the stage of a sport industry or an aerial circus?

These are questions that the struggling young industry itself found it very difficult to answer until recently—in fact it was perhaps only during the past twelve months that definite and business-like steps had been taken to solve the problem of establishing an industry that has the inherent characteristic of inability to pay its way during the early years.

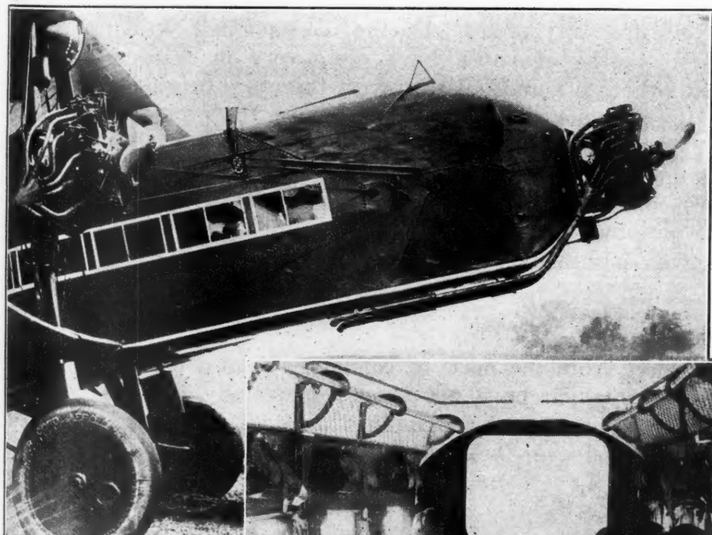
Federal Aid Now Forthcoming

One of the most constructive developments was the passage of the Air Commerce Act which becames a law last year and which regulated interstate commercial air traffic as well as all traffic along the air routes established by the Federal Government in connection with the Air Mail Service. In addition to clearly defining the legal status of air transportation, the act paved the way for passenger traffic by placing on the government the expense of maintaining air routes and legalizing the transfer of certain Air Mail Contracts to private concerns. Following the lead of foreign governments, the act prescribes means of procuring equipment for the Army and Navy Air Services, which open up a market for standard and experimental air craft equipment and provide funds for buying patents and designs that will still further encourage the experimental and engineering divisions of the young industry. Although foreign patents or models may be obtained from foreign inventors, the act provides priority for American manufacturers in the production of specified air craft equipment in large quantities.

Never intended as a subsidy (although really serving that end) the Air Mail Contracts are probably the most important single factor in the establishment of commercial passenger and freight routes. In the first place, the government is gradually getting out of the air mail business and is selling its equipment at considerably lower than its original cost to private concerns. In the second place, the cost of equipment on the transcontinental air route was borne by the government which now assumes the responsibility of maintaining constant service under the supervision of the same division of the government that maintains the lightships and lighthouses to warn and direct mariners.

The extensive system of air mail routes shown on the first page of this article will be completely equipped with beacons for day and night flying, emergency landing fields and terminals along the route, the expense which runs into millions being borne largely by the Federal Government and in some cases by municipalities as far as landing field service is concerned. This forms the nucleus for passenger air routes by private companies who will also carry the air mail under contract with the Post Office Department. Air Mail contracts assure these companies of a consistent "pay load" from the start and tend to offset loss in reve-

(*Please turn to page* 447)



BIGGEST OF THEM ALL

This largest airplane in British Commercial Air Service was launched at Conventry Airdrome by its maker, Sir W. G. Armstrong-Whitworth Aircraft, Ltd. Apart from its size, which makes its crew of 30 men look like pigmies, the new Air Liner is a notable example of the "Safety First" principle in science. It carries triple engines that absolutely eliminates all possibility of forced landing which heretofore was not a rare occurence. The new "Argosy" will carry 20 passengers and luggage.

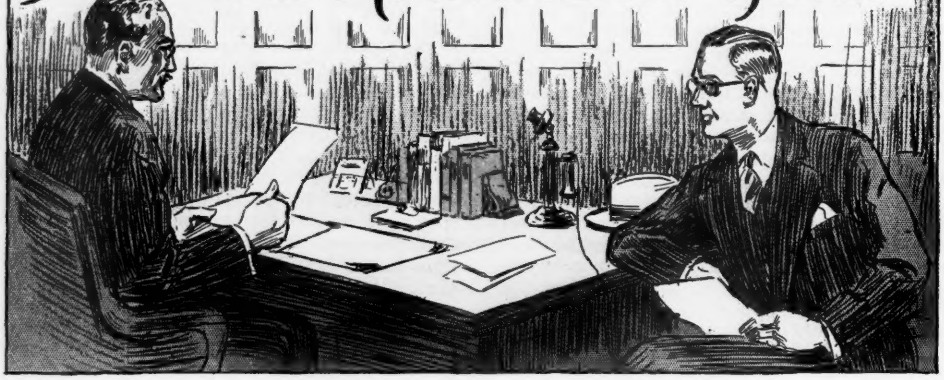
Photo by International Newsreel.

The First Flying Movies

Moving pictures being shown in saloon of English passenger plane over London.

©P & A Photos

The MAGAZINE of WALL STREET'S Mid-Year Reinvestment Guide



WITH the half-way mark of the year reached, the problem of reinvesting interest and dividends received is at hand. But the investor should not merely rest with the reinvestment of such funds; he should also take occasion to take stock of *all* his securities to ascertain which of these is worth retaining and which should be disposed of. Even in so comparatively brief a period as a half year, changes of importance may develop in a given list of securities of sufficient scope to warrant inventory-taking.

The present period offers exceptionally complicated problems to the investor owing to the generally high level of security prices. During the past half year, price levels, especially for common stocks of value, have risen very markedly. The problem before the investor who has new funds to invest therefore becomes acute in reference to the purchase of junior shares. At first glance, the problem would seem almost insoluble. However, owing to the immense growth in the number of securities available to the public, many otherwise sound issues have been neglected or comparatively so in a market which has chosen to favor the standard shares. This affords investors with a broader opportunity for profitable investment than would appear possible after a cursory examination.

It has been our object to select from the mass of common stocks a list of those of genuine intrinsic value, yet which have not shared materially in the general advance. The issues selected have not been confined to Stock Exchange securities but include, as well, Curb and over-the-counter issues.

The problem of profitable bond and preferred stock selection is hardly less complicated than that of common stocks but by not confining ourselves to any particular market we have been able to present to our readers' attention a suitable list for investment. Attention is also called to our Suggestions for Investment in Public Utility Securities in our special public utility section in this issue.

Bonds for Income and Appreciation

	Price	Yield to Maturity %	COMMENT
Allis Chalmers Mfg. Deb. 5s, 1937 (C)	99	5.37	Direct obligation of successful and growing electrical equipment manufacturing company. Recently issued to permit retirement of 7% preferred shares. Earning power several times in excess of interest requirements. Possibilities of moderate price appreciation. Callable @ 103.
American Cotton Oil 20-Yr. 5s, 1931 (L)	97¼	5.78	Direct obligation of former American Cotton Oil Co. assumed by Gold Dust Corporation. No prior liens. Earnings of assuming company show wide margin of safety over interest charges, being more than four times requirements in year ended Aug. 31, 1926. Callable @ 105.
Anaconda Copper Mining 1st Cons. "A" 6s, 1953 (L)	104	5.70	Direct lien on all properties held at time bonds were issued. Preceded by 16.9 millions 6s, due in 1929. Interest shares earned 2.67 times last year. Well protected, sound investment issue, attractive for yield, but enhancement limited by redemption price @ 105.
Baltimore & Ohio R.R. Ref. & Gen. 6s, 1995 (L)	110	5.45	High grade rail investment. Secured equally with 4½s of 1933 on substantially entire property of road, subject 284 millions prior obligations. Identical with series A and D 5s except as to interest rate. Interest charges covered by rising margin of earnings. Redeemable after June 1, 1934, @ 107½.
Bethlehem Steel Corp. Cons. "B" 5½s, 1953 (L)	101	5.43	Secured by mortgage on all steel and shipbuilding plants, except those of certain subsidiary companies. Additionally secured by pledge of sundry stocks of subsidiaries. Subject to 101 millions prior obligations. Interest earned more than twice over during past five years, with margin increasing. Callable @ 107.
California Petroleum Corp. Conv. Deb. 5s, 1939 (L)	93	5.82	Well rounded, soundly managed California oil enterprise, enjoying good earnings record over series of years. Direct obligation, not secured by mortgage but amply protected by company's earning capacity and afford possibility of price appreciation in event of improvement in the industry. Callable @ 103.
Chicago & Eastern Illinois Ry. Gen'l. 5s, 1951 (L)	87¼	6.01	Considerable share of earnings derived from soft coal traffic. Earnings accordingly subject to variation. Secured by lien on all properties, preceded by 8.5 millions prior obligations. Medium-grade investment issue attractive on yield basis. Road has some merger possibilities. Callable @ 100.
Chile Copper Co. Deb. 5s, 1947 (L)	95	5.42	One of world's lowest cost copper producers. Consistently profitable operations set bonds in strong investment light, although not secured by mortgage. Recently issued to replace 35 millions of convertible 6s. Redeemable @ 102.
Colorado Industrial Co. 1st Cv. Guar. 5s, 1934 (L)	96	5.65	First mortgage on mineral land and frontage and leasehold interests, additionally secured by lien on coke oven equipment and securities of subsidiary railroads. Guaranteed, principal and interest by Colorado Fuel & Iron Co. Improving earnings of latter put issue in attractive investment light. Redeemable @ 105.
Cuba Railroad Co. 1st 5s, 1952 (L)	97¼	5.19	First mortgage on 658 miles of road, terminals and equipment of Cuban railroad operating company. Interest charges covered by steadily increasing margin. No prior obligations. Sound, non-callable investment issue, attractive primarily for income.
Equitable Office Building Deb. 5s, 1952 (U)	91½	5.64	Owns valuable 40-story office building in heart of New York's financial district, from which company derives substantial and increasing yearly income. Direct obligation preceded by 19.9 millions first mortgage bonds. Callable @ 100.
International Paper Co. Ref. S. F. "A" 6s, 1955 (L)	101	5.90	Important paper manufacturer, pursuing policy of aggressive development in respect to water power sites. Should ultimately derive substantial revenues from hydro-electric activities. Bonds, secured by mortgage subject to 1st and ref. issue, afford good yield with room for ultimate improvement in market value.
Missouri Pacific R.R. General 4s, 1975 (L)	77¼	5.31	By virtue of acquisitions and new management, road has undergone striking transformation, reflected in steady improvement of earnings and financial position. Secured by lien on all property, subject 210 millions prior obligations. Moderate price enhancement possibilities. Callable @ 100.
N. Y., Chicago & St. Louis R.R. Ref. "A" 5½s, 1974 (L)	105½	5.25	Junior bond issue of "Nickel Plate" road, first mortgage on 637 acres of terminal land and general mortgage on equipment and 1,672 miles of road. Earnings have averaged approximately 2½ times interest requirements in recent years. High grade investment selling two points below redemption figure.
Schulco Co., Inc. Guar. S. F. "B" 6½s, 1946 (L)	100½	6.45	Owns and manages sundry parcels of real estate in New York City, most of which are leased to Schulte Retail Stores Co., by which company is controlled through stock ownership. Guaranteed, principal, interest and sinking fund, by parent company. Callable @ 103. Attractive for income and possible price enhancement.
Seaboard Air Line—Atlanta & Birmingham 1st 4s, 1933 (L)	92½	5.41	Secured by first mortgage on 200 miles of road by which Seaboard Air Line obtains entrance to the Birmingham coal and iron district. Underlie Seaboard 4s of 1959 and 6s of 1945, sufficient of latter reserved to provide for retirement of this issue. Non-callable.
Sinclair Pipe Line Co. 20-Yr. S. F. 5s, 1942 (L)	93	5.68	Direct obligation of pipeline company jointly owned by Sinclair Oil Corp. and Standard Oil of Indiana. Interest earned approximately three times last year compared with about four times, recent year average. Undervalued at current prices. Subject redemption @ 103.
Union Oil of California 10-Yr. S. F. 5s, 1935 (L)	98½	5.21	Attractive investment for employment of funds in issue having comparatively short term maturity. Strongly protected by restrictive provisions and high average earning capacity of company owning some of most valuable oil lands on Pacific Coast. Redemption price, 101½.

Foreign Government Bonds

Arg. Nation (Govt. of)........ 98 Ext. S. F. 6s, 1960 (L)	6.15	Important Latin-American republic enjoying high public credit. Good debt record entitles bonds to consideration among desirable foreign government obligations. Redeemable @ 100.
Dutch East Indies............101½ 30-Yr. Ext. 5½s, 1953 (L)	5.41	Crown colony of the Kingdom of Netherlands. Government of colony derives substantial income from properties and monopolies. Bonds rank as sound investment, attractive for income.
Newfoundland (Govern. of) ..104½ 20-Yr 5½s, 1942 (U).	5.11	Thrifty population of this oldest of British crown colonies (now a dominion) places issue in rank of high grade investments. Non-callable.

Preferred Stocks

Amer. Cyanamid 6% (U).... 87	6.98	Well entrenched manufacturer of sundry chemicals used in fertilizer, mining and heavy chemicals industries. Strong financial status. Earning power somewhat variable but preferred dividends earned more than three times over in last four years. Call price, 120.
Amer. District Tel. 7% (U)...109	6.42	Conducts general fire, burglar and similar electric alarm business in principal cities, from which company derives growing revenues. Controlled by Western Union through common stock interest. Attractive investment with speculative possibilities in conversion clause. Convertible into common, share for share. Call price, 110.
Amer. Sugar Refining 7% (L).113	6.29	Leading factor in sugar refining industry. Earnings in late years dependent more largely upon refining operations due to disposal of former investment interests, but still amply in excess of preferred div. requirements. Working capital equivalent approximately $130 a share. Non-callable.
Assoc. Dry Goods 2nd 7% (L).109	6.42	Junior preferred issue of strong chain department store operating company controlling large units in seven important eastern cities. Earnings average nearly seven times dividend requirement during last five years. Attractive, non-callable investment.
Barnhardt Bros. & Spindler 1st 7% (U) 108	6.48	Operates second largest type foundry in U. S. High grade investment by virtue of control by American Type Founders, which guarantees issue in respect to both principal and interest. Call price, 110.
Devoe & Raynolds 1st 7% (L).107	6.54	One of oldest American industrial enterprises, dating back to revolutionary times. Producer of high grade paints, enjoying excellent trade position and good average earning power. Issue in good investment position and somewhat out of line with stocks of similar grade. Call price, 115.
Hercules Powder 7% (U) 117	5.98	Offshoot of E. I. du Pont de Nemours Powder Co. as result of Government suit. Consistent earning power, strong financial condition. Gross business has shown steady growth since 1921. Preferred shares, selling three points below redemption price, rank among best industrial investments.
International Paper 7% (L).. 99	7.07	Largest newsprint producer, actively developing its extensive water power resources. Company has great potential earning power yet to be brought out by expansion program now underway. Though not high grade, preferred shares appear in attractive light as so-called "business man's" holding. Call price, 115.
Kansas City South. Ry. 4% (L) 70	5.71	One of southwestern railroads prominently in merger limelight. Likely to form important link in "Loree" system in event proposed unification eventually receives sanction of I. C. C. Long record of unbroken dividend payments reflection of consistent earnings available for this issue. Non-callable.
Mid-Continent Pet. 7% (L)... 99	7.07	Producing and refining company operating in mid-continent fields with varying fortune in former years, but encouraging record since refinancing in 1925. Shares necessarily subject to price changes but afford good return with prospect for price appreciation when industry recovers. Callable @ 120 and convertible into common at rate of $75 preferred for one share common.
N. Y., Chicago & St. Louis 6% (L) 107	5.61	Operates 1,690 miles of railroad between Buffalo-Chicago, Sandusky-Peoria and Toledo-St. Louis. Occupies strong position, irrespective of possible merger developments owing to high freight traffic density. Growth in operating revenues reflected in earnings more than five times preferred dividend needs last year. Callable @ 110.
St. Louis-San Fran. 6% (L)... 99	6.06	Southwestern road showing steady improvement in earning power in recent years with development of territory served. Unbalanced capital structure largely remedied by recent offering of 15 millions new common stock to shareholders. Possibility of increased income through ownership 183,333 shares Rock Island common. Callable @ 100.
Standard Milling 6% (L) 95	6.32	Flour milling company producing several well advertised and popular brands. Company's sound financial position and steady enhancement in earnings set issue in attractive investment light. Non-callable.
U. S. Smelt., Ref. & Mng. 7% (L) 49	7.14	Large producer of metals, principally lead, silver and zinc. Uninterrupted dividend record of 21 years, despite rather variable nature of earnings, entitles issue to sound investment rating. Non-callable. Good return with room for price enhancement.

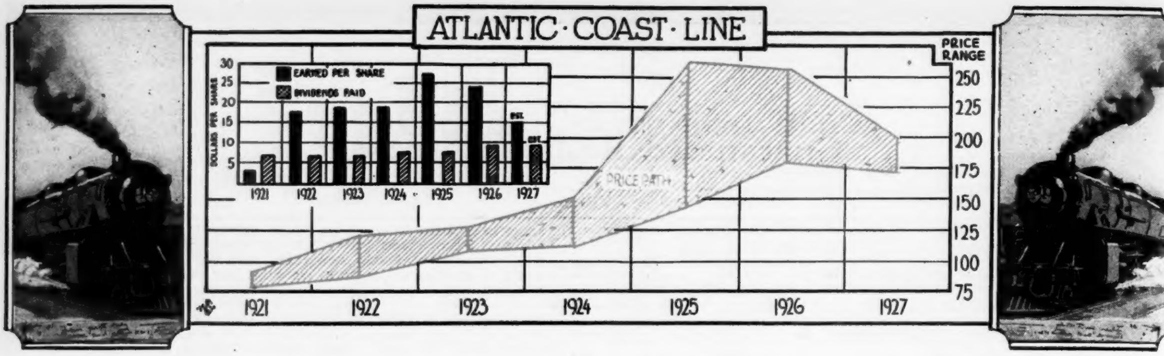
Guaranteed Railroad Stocks

	Price	Div.	Yield	COMMENT
Rensselaer & Saratoga (L)	138		5.01	Leased in perpetuity to Delaware & Hudson on basis to cover organization expenses, bond interest and 8% annual dividends on stock. Deduction of Federal Income tax leaves net return of 6.92% to shareholders. Important connecting main line of D. & H. system.
Vicksburg, Shreveport & Pacific (L)	100	5	5.00	Leased to July 1, 2282, to Yazoo & Mississippi Valley, subsidiary of Illinois Central. Performance of lease guaranteed by latter. Owns 188 miles of road forming "Vicksburg Route," shortest line between important points in Texas and Southeast.

Common Stocks

	Price	Div.	Yield	COMMENT
Allis Chalmers Mfg. (L)	103	6	5.83	Well managed, growing electrical equipment manufacturer. Recent retirement of 7% preferred stock through issue of 5% debentures improves position of common. Abundant working capital in conjunction with appreciation of earnings should admit of larger dividend ultimately.
Amer. Tobacco B (L)	135	8	5.92	One of old line, leading tobacco manufacturers engaged in all branches of production. Long and consistent record of growth, based largely upon steady expansion of cigarette consumption. Excellent financial and trade position. Out of line with tobacco stocks of like caliber.
Amer. District Teleg. (U)	72	3	4.16	Conducts industrial, bank and city alarm business in various leading cities. Revenues comparatively stable with marked tendency toward annual growth. Controlled by Western Union. Low yield offset by earnings of $8.92 a share last year, indicating ability to pay more.
Anaconda Copper (L)	45	3	6.67	One of dominant factors in copper industry by virtue of Chile Copper, American Brass and other acquisitions of late years. Diversified interests enable company to show satisfactory earnings in dull copper market. Attractive primarily for long pull.
Baltimore & Ohio R.R. (L)	119	6	4.97	Operates 5,200 miles of steam railroad between Baltimore, Philadelphia and Chicago, Cincinnati, St. Louis. Entrance to New York through trackage rights. Heavy stock interest in Reading Co. and hence in Central R. R. of New Jersey. Recent stock financing reflects improved credit based upon market gain in earning power.
Endicott Johnson (L)	70	5	7.11	One of country's largest shoe manufacturers, with related tanning and rubber heel and sole making activities. Stable earning power shown under adverse conditions. Favorable labor situation through profit-sharing arrangement. Affords comparatively high yield. Seems out of line.
Fajardo Sugar (U)	160	10	6.25	Strong Porto Rican sugar producer. Favored by freedom from sugar duty on imports to United States which enables company to make good showing even in face of relatively depressed price situation. Fair current return with good speculative prospects in event of higher sugar market.
Gulf Oil of Pa. (C)	92	1½	1.63	Strong, well integrated independent oil company. Engaged in producing, transporting, refining and distributing petroleum and petroleum products. Valuable holdings and pipe line system in Mid-Continent, Texas and Louisiana. Also has Venezuelan interests. Small current return but attractive for long pull.
Illinois Central (L)	130	7	5.38	High grade investment rail. In successful operation since organization seventy-six years ago. Continuous dividend record since 1852, barring interruption in 1858-59. Comparatively stable earning power but could pay more.
Pennsylvania Railroad (L)	64	3½	5.47	One of principal eastern trunk line systems, justly regarded among soundest investment rail stocks. Has fully recovered from hampering effects of post war adjustments and in current year has shown earnings suggestive of ability to raise dividend rate moderately.
Southern Pacific (L)	114	6	5.26	Holding company, maintaining and operating important southern transcontinental railroad system comprising 13,000 miles of line. Connection between New Orleans and New York by means of own steamships. Present $6 dividend rate in effect since 1908. Sound investment rail with long range possibilities.
Union Pacific (L)	173	10	5.77	High earning power by virtue of exceptionally low operating ratio and substantial investment holdings in securities of other roads. Traffic well diversified, which accounts for ability to show consistently good results. Present $10 dividend in effect since 1917, amply protected.

L—Listed New York Stock Exchange. C—Listed New York Curb market. U—Over-the-Counter market.



Atlantic Coast Line a Bargain

Stock Now Decidedly Undervalued—South Ready to Resume Economic Advance—Prospect for 1927 Earnings

By J. A. POLLOCK, Jr.

SOMETHING over a year has passed since the Florida bubble was pricked and it is becoming possible to gauge with reasonable accuracy the effect upon various lines of enterprise. As predicted by most well informed people at the time the deflation was set in motion a pretty solid base strata of economic progress has been found underneath the froth. This is particularly true to the extent that collapse in that particular section of the southeast has failed to spread and undermine the very genuine and rapid growth that has characterized the larger section in the last decade, as predicted by the more pessimistically inclined, although to the inconveniences engendered by a real estate boom gone wrong was added in the latter half of 1926, a terriffic slump in cotton prices, popularly thought to be fatal to the southeast. Florida, of course, constitutes only a small portion of the territory, while with its rapid industrialization, the cotton crop has shrunk not in actual dollars but in relative money value to about an 8% status in the section's productivity.

The best single index of the trend of business conditions is generally afforded through an analysis of railroad traffic, while the same inquiry may not infrequently point the quickest mode whereby the investor or speculator may capitalize the ever-shifting economic tides.

Downward Trend Over?

Railroad revenues are apparently saying that insofar as it remains free from events of a national import, the South is ready, after a slight period of pause and digestion, to resume its advance. The tendency of revenues to decline in the latter months of 1926 and the early months of 1927 was indeed slight relative to the tremendous gains that had just previously taken place and evidence is accumulating that this downward trend has about run its course. Freight revenues never have given much ground, the recession being virtually confined to loss of passenger business. The former index is, of course, readily related to more basic economic factors as the latter is to the more ephemeral and passing condition. For all of 1926, revenues of the Southern district were somewhat larger than in 1925 and the entire year 1927 will no doubt duplicate this result.

Among the southern roads and particularly those serving the eastern belt, Atlantic Coast Line has perhaps occupied the leading position in recent years. Its 7% dividend, a rarety less than five years ago, dates back to 1917. It was the first important company to indulge in the liberality of "extras" and its shares led the more general boom in rails by about two years. One of the first roads to break into the $25 a share earning class its common sold up to 268 in 1925 subsequently declining nearly 100 points to 175 in March of this year, in which an offering of 20% in stock no doubt played a part, and is currently held about 10 points above the latter figure.

The decline has been tremendous in this so-called "money" market, especially as the "right" offered to stockholders was worth about $15 a share while the road has easily continued dividends at the rate of $10 and has suffered as yet no marked diminution of earning power. The limited conclusions that may be drawn are either that at its high the stock was very much over-valued or is currently decidedly under-valued, or else that the fundamentals have undergone a decided change. Current indications being dead against the latter surmise, it is not difficult to conclude the coast line is intrinsically a bargain.

First as to its record. The company's prosperity antedates by a good many years that of its territory. The modern company really dates back from 1902, when under the aegis of the Atlantic Coast Line Company, a holding company, then but not now, in control of the railroad, it was combined with the old Savannah, Florida & Western and some smaller lines. In the same year was acquired control of the Louisville & Nashville by paying well over par; an eminently successful venture, nevertheless, and without which it is impossible to appraise the company.

A 14,500-Mile-System

Operating itself just under 5000 miles of line, Coast Line controls a system of nearly 14,500 miles. In addition it holds, with other southern roads, a one-sixth interest in the Richmond-Washington Line and operates steamships over routes of 360 miles.

Through the Louisville & Nashville control is vested in the Nashville, Chattanooga & St. Louis, the Louisville, Henderson & St. Louis, and (in conjunction with Southern Railway) the Chicago, Indianapolis & Louisville. Jointly Coast Line and the Louisville & Nashville lease the Georgia Railroad and the Clinchfield, while only recently the former acquired the old A. B. & A.

The system mileage, which reaches virtually every important city of the South, somewhat resembles on the map a right "Y." The right-hand arm extends from Washington south through Richmond, Charleston, and Savannah to Jacksonville. The base of the "Y" is in the Florida Peninsula, the left-handed arm coming out again to Atlanta and Birmingham. This is chiefly mileage of the A. C. L. proper. Beyond Atlanta and Birmingham the arm thickens out in subsidiary mileage, lines reaching through Knoxville to Cincinnati, through Nashville to Memphis, St. Louis and Louisville, whence entrance is gained via the C. I. & L. to Chicago.

The Louisville & Nashville, of course, reaches down to Mobile and on into

New Orleans, while Coast Line reaches other important points such as Norfolk, Wilmington and Winston-Salem. The principal ties between the two "arms" are afforded by the Georgia Railroad, the Clinchfield and the Atlantic & Birmingham. It is pretty hard to localize this proposition to Florida.

The Coast Line proper originates about two-thirds of its freight tonnage on its own lines. The freight composition is given herewith. While not ideal it is good and shows moreover, an improving trend, the substitution of mineral for forest products being particularly healthy and in line with the industrialization of the territory. The great gain of the latter classification in 1926 resulted from a largely increased traffic in quarry products incident to extensive construction work.

Freight Composition

Commodity	1916 %	1925 %	1926 %
Products of Agriculture...	12.49	11.86	10.51
" " Animals	0.73	0.83	0.83
" " Mines	18.17	32.45	39.41
" " Forests	36.53	25.77	22.06
Manuf., Min., L. C. L...	32.08	29.09	27.19
Total	100.00	100.00	100.00

In the last ten years Coast Line has added $80,000,000 to its investment in railroad plant, over $15,000,000 to other investments and $5,000,000 to working capital, over $100,000,000 in all, and only increased its borrowings $19,000,000 to do it. In the ten years from December 31, 1916, to December 31, 1926, in which not less than $7 dividends were declared on the $68,755,000 of common stock, earnings totalled $156 a share and dividends $76, the balance of $80 a share being equal to about $56 on the present increased amount of stock.

The effect of this policy which has included additions and betterments of $18,900,000 in 1926, $10,600,000 in 1925, $7,600,000 in 1924 and $15,500,000 in 1923 when the company made a heavy investment in additional equipment, is clearly reflected in its operations. Although mileage operated has only increased 4% in the last ten years, revenue tonnage in 1926 was over twice that of 1916. Average freight haul remained practically stationary until last year, when it declined 6%, no doubt representing an increased volume of local business, so that revenue ton-miles were 89% greater at the end of 10 years and traffic density (ton-miles per mile of road) 81% heavier. This tremendously increased volume of traffic was handled with only 22% more ton-miles by increasing the average train-load 45%. Thus while rates have advanced 43% as reflected in ton-mile revenues, earnings per train-mile have increased 112%, or two and a half times as fast.

Earnings Record of Atlantic Coast Line

Year	Net Income	Per Share Common	Dividends	Equivalent per shr. earnings on increased stock
1916..............	$ 9,867,635	$14.39	$6.00	$11.98
1917..............	10,080,249	14.69	7.00	12.24
1918..............	7,284,832	10.61	7.00	8.85
1919..............	7,288,699	10.62	7.00	8.86
1920..............	7,890,562	11.49	7.00	9.58
1921..............	1,790,569	2.60	7.00	2.17
1922..............	11,604,074	16.92	7.00	14.09
1923..............	12,797,073	18.66	7.00	15.54
1924..............	13,275,844	19.36	8.00	16.12
1925..............	18,483,142	26.93	9.00	22.45
1926..............	16,519,873	24.08	10.00	20.06

As illustrative of Atlantic Coast Line's physical development, it had on December 31 last 25% more locomotives, 20% more passenger cars, 19% more freight cars, 45% more work equipment and 14% more units of floating equipment than 10 years previously. That this inventory includes little in the way of obsolescent units is fully reflected in its working condition from month to month. Percentage of bad order to total locomotives and freight cars has consistently bettered the theoretical ideal during the last four years, standing at 9.2% and 3.1% respectively on May 1 last. The same figures are indicative of the adequacy of maintenance.

Enlarged maintenance outlay explains primarily the somewhat smaller net earnings in 1926 than 1925, although gross increased. Revenues were up $3,088,819 or 3.29%, but expenses advanced $5,735,649 or 8.83%. Of the increase maintenance took $3,172,790 against $2,159,598 required in the cost of conducting transportation. The ratios to gross revenues for the last two years compared with ten years earlier follow:

Operating Ratios

	1916 %	1925 %	1926 %
Maintenance of Way.........	11.88	11.51	13.41
Maintenance of Equipment....	16.05	18.67	19.07
Total Maintenance	27.94	30.18	32.48
Transportation Expenses	31 83	34.37	35.50
Total Operating Expenses...	64.49	69.11	72.82

The transportation ratio in 1926 would have been no larger in 1926 than the previous year, except for the inevitable lag in bringing costs down along with a sudden decrease in volume such as occurred in the latter months.

The only borrowing done by the company in the last ten years has been about $16,000,000 in equipment notes and $6,000,000 of 7% notes issued in 1920, although since the first of the year the latter have been replaced with $8,809,000 of General Unified 4½%. There is a disposition to regard Coast Line's high share earnings as resulting from a pyramided capital structure. At the end of last year long term debt was outstanding against share capital in nearly a 2.3 to 1 ratio, although the recent stock issue brought this down to better than 1.9 to 1, still topheavy did it not lose sight of the Louisville & Nashville investment. Coast Line's debt includes $35,000,000 of collateral trust bonds brought out in 1902 when the subsidiary shares were acquired. Its total investment in Louisville & Nashville, however, is $51,000,000 and had this not been made Coast Line's debt would be less by that amount, or approximately $100,000,000 bonds against $80,000,000 stock, nearly an even balance.

The Louisville investment has been so successful that largely through increased dividends therefrom Coast Line's net fixed charges, i. e., balance between non-operating income and interest and other deductions, was only $1,066,000 in 1926 against $2,392,000 in 1916, more than cut in half. During the interval Louisville & Nashville paid a 62½% stock dividend and last year raised the cash disbursement from 6% to 7%, the same rate as paid prior to the increase in shares. This was from earnings, though, of 16.60% leaving 9.60% undistributed. As Coast Line owns $59,670,000 par value of the stock, its equity in these surplus earnings was equal to over $7 a share upon its own $81,340,000 common stock. As Louisville & Nashville has a similar interest in surplus of its subsidiaries, the Nashville, Chattanooga & St. Louis and Louisville, Henderson & St. Louis-Atlantic Coast Line has with these equities earning power of about $30 a share. *On this basis the stock would appear to be worth nearer* 300 *than the current price.*

Its book value is just under $240 a share, but this includes the Louisville & Nashville investment carried at cost of $51,000,000 whereas its market value is $85,000,000. By writing this up another $40 would be added to the value of the parent company's shares. Another investment undoubtedly worth more is the Atlantic Land & Improvement Company holding 160,000 acres of lands acquired long before the boom

(*Please turn to page* 457)

3 Bonds for Profitable Investment

THE apparently unsatiable investment demand now prevailing, in conjunction with the vastly improved investment position of railroad securities in general, has resulted in a situation where it is necessary to select from among those issues secured by junior liens in order to obtain a yield in excess of 5% on a railroad bond worthy of consideration. While the return appears moderate in comparison with that existing within recent years on the same type of bond, the risk is correspondingly reduced, and a further improvement in status is in prospect during the course of the present upward trend in railroad affairs. We are presenting herewith three opportunities in this field in addition to those already regularly included in the Bond Buyers' Guide as changing conditions producing a greater supply of this type of security.

NEW YORK, ONTARIO & WESTERN GENERAL 4s, 1955
Price, 76;
Yield, 5.7%

NEW YORK, Ontario & Western operates about 569 miles of main track, principally in New York State. The main line extends from Oswego to Cornwall, N. Y., from where the road has trackage rights over the West Shore R. R. to Weehawken, N. J., thus providing access to New York City. Control through ownership of a majority of the capital stock has rested with New York, New Haven & Hartford since 1904.

Revenues to a large extent are dependent upon anthracite coal traffic, and the frequent interruptions to normal shipments of this commodity as a result of periodic strikes have been responsible for much irregularity in earnings. Over a period of years increases in gross revenues have been more than counterbalanced by heavier operating expenses, the consequent small surplus after charges militating against proper replacement and installation of more modern types of equipment. Fortunately the funded debt constitutes only about one-third of the total capitalization, an unusually small ratio from a railroad standpoint, so that the unsatisfactory earning power has not seriously threatened a default in interest payments. Such requirements have been more than covered in each of the last four years, the margin in 1926 exceeding 50%.

There are but two bond issues of importance, neither of which mature for 28 years. The road has the benefit of low coupon rates, the bonds having been issued for long terms when conditions were altogether favorable. The General 4s, outstanding to the extent of 8.63 millions, are outranked by 20 million Refunding 4s. The former are secured by second lien on the entire mileage of main track directly owned, 320 miles, by a first collateral lien on 66 miles, a second collateral lien on 73 miles, and by second lien on 121 miles of leasehold interests, 56 miles of trackage rights from Cornwall to Weehawken, and terminal property in Weehawken, New York and Brooklyn. They are redeemable at 110 on any interest date.

The entire funded debt is well below property value, and earnings, while not yet on a satisfactory basis, are probably at approximately their minimum as far as the present railroad era is concerned. Gradual increase in inter-line freight is anticipated from the development of the facilities of New York Harbor, and the better position of Oswego upon completion of improvements to the Welland Canal. *The favorable market action of the securities and the alleged reluctance on the part of the New Haven to relinquish its holdings in the stock all tend to foreshadow a stronger investment position for the bonds.*

NORFOLK SOUTHERN 1st *& REFUNDING* 5s, 1961
Price, 93;
Yield, 5.4%

NORFOLK SOUTHERN R. R. is one of the smaller southeastern independent roads. It operates about 890 miles of line through the State of North Carolina to Norfolk, Va. Formerly identified for the most part with lumber interests, the character of freight traffic has become considerably more diversified in recent years, and products of forests are now reduced to about 25% of total tonnage. The sparsely settled territory covered, together with the rather poor condition of freight car equipment, has been largely responsible for the failure of earnings to assume more adequate proportions, but a steady improvement has taken place for several successive years past, and 1926 showed a balance for the capital stock after all charges equivalent to slightly over $5 a share.

The first & Refunding 5% bonds, although junior to all other bond issues of the road, are the only one outstanding in any great amount, and constitute the larger portion of the funded debt. There are outstanding about 10.8 millions, not including around 4 millions additional held by the company and by the Government as collateral for loans. They are redeemable at 105, and a variable amount is retired each year under sinking fund provisions.

The issue is secured by mortgage on 794 miles of road, a first lien on 334 miles, and a second, third or fourth lien on the remainder. It is secured likewise on practically the entire equipment subject to prior liens, on 108 miles of leasehold, and by deposit of certain portions of the various underlying issues. The prior liens, although comprising a number of different issues, aggregate less than 4 millions, so that the mortgage protection afforded the Refunding 5s is in reality greater than it might appear upon casual examination.

Fixed charges have been covered by increasingly safe margins for several years past, results for 1926 showing such requirements earned more than one and one-half times. A favorable feature is the close control over operating expenses manifested, this item having remained virtually stationary in face of steady growth in total operating revenues. Diversification of traffic and additional traffic following the acquisition of control by prominent lumber and tobacco interests two years ago, with the avowed purpose of building up the earning power and resources of the road, are all producing results. *If it becomes possible to resume dividends on the capital stock, after a lapse of* 14 *years, the intrinsic position of the bonds will be further strengthened.*

WABASH RY. REFUNDING & GENERAL 5½s, 1975,
Price, 104;
Yield, 5.3%

NOTEWORTHY and steady improvement in the position of Wabash Railway in recent years has been one of the features of the railroad world. Like a number of other large systems, the road passed through a reorganization during the war period, and the rehabilitation effected at that time, together with the vastly better operating

conditions confronting the carriers, has produced most favorable results. The road has the advantage of an unusually well balanced capital structure and an excellent position financially, which have provided a sound basis upon which to develop earning power to the present adequate proportions.

Wabash traverses a direct course from Buffalo to Kansas City, the lines also having an entrance to Chicago. It is admirably adapted to the requirements of some other systems, and while altogether able to stand on its own feet, there is more than an even chance that the securities will be further fortified by guarantee arising out of some future consolidation.

The Refunding & General 5½s were issued two years ago to provide for present and future financing. There are outstanding 12.5 million 5½s and 15.5 million Refunding & General 5s, issued under the same mortgage and ranking equally. Additional bonds may be issued, provided that the total, together with all prior liens, shall not exceed one and one-half times the aggregate par value of the capital stock then outstanding. The amount authorized but yet to be issued may be utilized, therefore, to take care of new financing from time to time as required, without recourse to another authorization. The bonds are secured by direct mortgage on most of the property, including 2,034 miles of track, as well as on terminals in Chicago, St. Louis and Kansas City, but subject to about 62 million prior liens, the greater part of which represent closed mortgages which can be neither renewed nor extended.

Both the Series A 5½s and the Series B 5s are redeemable at 105. The former are selling at a price to return a somewhat higher yield, although equally secured, on account of the higher interest rate and the consequent restriction on price appreciation exerted by the callable price. There is more leeway then for a moderate market advance in the 5s, but the 5½s are more suitable for income purposes.

The financial strength of Wabash, combined with demonstrated ability to cover annual interest requirements approximately two and one-half times over, is such as to entitle these junior bonds to a higher investment rating than in the case of many similarly secured issues of other roads not paying dividends on their common stocks. The yield is accordingly good, judged by the present-day standards of railroad securities.

Notice

Due to unforeseen circumstances Parts II and III in the series on Retailing of Tomorrow will be set over one issue each. That is, Part II on the Chain and Department store will appear in the issue of July 30th and the last installment of the series on the Mail Order Business will appear August 27th.

Bond Buyers' Guide

Bonds for Income Primarily

GOVERNMENT ISSUES	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Argentine 6s, 1959 (a)	....	....	100	99¼	6.05	6.06
Chile 6s, 1960 (a)	....	....	100	90	6.66	6.78
Dominican Rep. 5½s, 1942 (a)	6.4	....	101G	98½	5.59	5.70
Haiti 6s, 1952 (b)	....	....	100G	100	6.00	6.00
Panama 5½s, 1953 (a)	....	....	102½G	103⅛	5.33	5.27
RAILROAD ISSUES						
Cuba R. R. 1st 5s, 1952	....	3.80	....	96	5.20	5.30
Central of Georgia, Ref. 5½s, 1959	31.1	1.74	105G	106½	5.16	5.08
Chicago & West. Ind. 1st Ref. 5½s, 1962	60.1	X	105	104	5.28	5.25
Erie & Jersey, 1st 6s, 1955	....	1.61	115	114	5.25	5.06
Florida East Coast, 1st Ref. 5s, 1974 (b)	12.0	3.55	105G	96	5.22	5.25
Great Northern, Gen. "A" 7s, 1936 (b)	139.8	2.67	....	114¼	6.12	5.00
Kan. City Sou., Ref. & Imp. 5s, '50	30.0	2.07	105A	99⅞	5.01	5.01
Minn., St. P. & Sault. 1st Con. 5s, 1938	....	1.19	....	96½	5.18	5.38
Norfolk & Southern, 1st & Ref. 5s, 1961	3.8	1.21	105	92¾	5.39	5.47
Peoria & Pekin Un. Ry., 1st 5½s, 1974	....	2.04	105G	105½	5.24	5.19
Rock Isl., Ark. & La., 1st 4½s, '34 (b)	....	1.53	105T	96⅛	4.67	5.10
St. Louis Southwestern, 1st Terminal & Unifying 5s, 1952	45.3	2.05	....	97⅝	5.13	5.16
PUBLIC UTILITIES						
Amer. W. W. & Elec., Coll. 5s, 1934 (b)	....	1.34	102½	99½	5.02	5.10
Brooklyn City, 1st Con. 5s, 1941	....	3.48	....	93½	5.35	5.68
Hudson & Manh., 1st Ref. 5s, 1957 (b)	5.6	2.01	105	99⅛	5.05	5.05
Indiana Nat. Gas, Ref. 5s, 1936	....	2.00	....	98½	5.03	5.11
Louisv. Gas & El., 1st Ref. 5s, 1952 (b)	1.2	2.34	110T	.101	4.96	4.93
New Orleans Public Service, 1st Ref. 5s, 1952 (b)	10.5	1.70	105T	95	5.26	5.37
N. Y. Steam Corp., 1st 6s, 1947 (a)	....	2.05	107½GT	106¾	5.61	5.46
Pacific Gas & Elec., Gen. & Ref. 5s, 1942	40.3	2.00	105T	100⅛	4.99	4.99
Public Service of N. J., Sec. 6s, 1944 (a)	....	2.75	107½T	107	5.58	5.36
Rochester Gas & El., "C" 5½s, 1948 (a)	12.5	2.08	105GA	105½	5.17	5.03
INDUSTRIALS						
Bethlehem Steel, P. M., 5s, 1936	5.1	2.20	105	100	5.00	5.00
Brier Hill Steel, 1st 5½s, 1942 (a)	....	4.00	105	104	5.30	5.11
International Paper, 1st 5s, 1947	....	7.26Y	102½	97⅞	5.11	5.18
Morris & Co., 1st 4½s, 1939	....	NS	103	84	5.35	6.45
Mortgage Bond, 5s, 1932 (b)	....	1.66	100	97½	5.13	5.64
Schulco "A" 6½s, 1946 (a)	....	X	103T	101	6.42	6.39
Sinclair Pipe Line, 5s, 1942 (a)	....	4.46	103	93⅛	5.36	5.67
U. S. Rubber, 1st 5s, 1947 (b)	2.6	2.91	105T	91¾	5.45	5.70

Bonds for Appreciation of Principal Primarily

RAILROADS	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Atlantic & Danville, 1st 4s, 1948	....	1.79	....	81	4.94	5.51
Central New England, 1st 4s, 1961	0.2	0.78	105	84½	4.74	4.95
Chicago Gt. Western, 1st 4s, 1959	....	0.97	....	71¼	5.60	6.05
Erie, Gen. Lien 4s, 1996	91.6	1.46	....	75⅝	5.26	5.30
Mississippi Central, 1st 5s, 1949 (b)	....	1.36	110A	96	5.21	5.31
Missouri Pacific, Gen. 4s, 1975 (a)	210.4	1.28	100A	76	5.26	5.40
New Haven, Non-conv. Deb. 4s, 1956	49.4	1.48	....	78	5.13	5.55
Northern Ohio, 1st 5s, 1945	....	2.60	....	97¼	5.15	5.23
Seaboard Air Line, Ref. 4s, 1959	46.4	1.25	105A	70	5.71	6.15
Texarkana & Ft. Smith, 1st 5½s, 1950	....	2.02	107½A	103½	5.31	5.25
Western Maryland, 1st 4s, 1952	2.3	1.24	....	82¼	4.88	5.30
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968 (b)	....	1.52	105	98¾	6.08	6.09
Market St. Ry., 1st 7s, 1940 (a)	....	2.22	106½T	99½	7.03	7.05
Montreal Tram., 1st & Ref. 5s, 1941 (a)	....	1.31	105A	98⅜	5.09	5.14
Sierra & San Francisco, 1st 5s, 1949	....	1.78	105	99	5.05	5.08
Utah Power & Light, 1st 5s, 1944	....	1.97	110	99⅝	5.03	5.03
INDUSTRIALS						
B. F. Keith, 1st & Gen. 6s, 1946	4.8	4.16	104T	98½	6.10	6.13
Pressed Steel Car, Conv. 5s, 1933	....	3.30	100	95	5.26	6.00
Walworth Co., 1st "A" 6s, 1945 (a)	....	2.73	104½T	91½	6.56	6.80
Webster Mills, 6½s, 1933 (c)	....	2.44	106½T	93¾	6.93	7.82

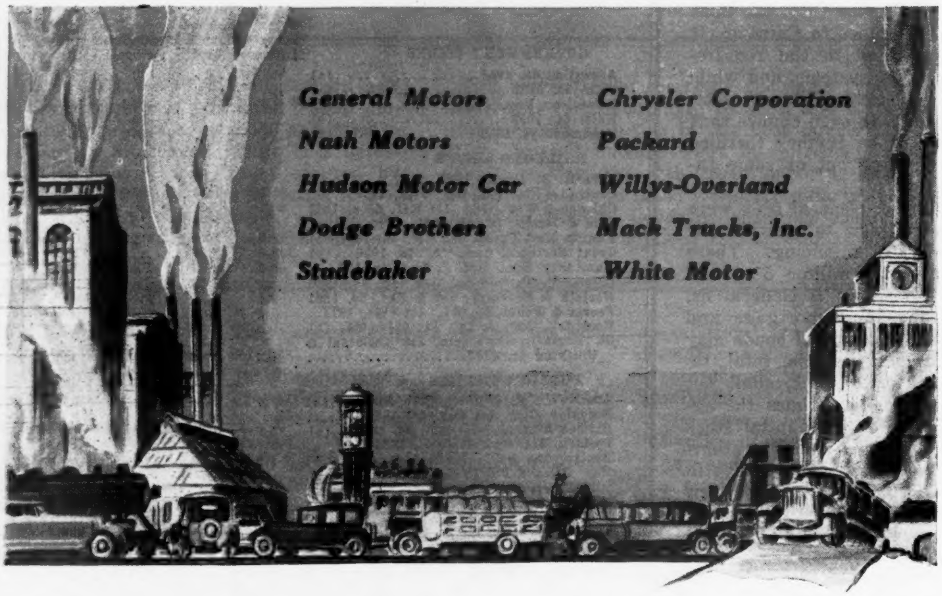
DEBENTURES	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
American Chain, S. F. 6s, 1933 (a)	....	6.84	105	102⅝	5.86	5.44
American Type Founders, 6s, 1940	....	3.84	106	104⅞	5.71	5.50
California Petroleum, Conv. 5s, 1939 (a)	....	11.56	103T	93¾	5.32	5.77
Dodge Bros. Conv. 6s, 1940 (a)	....	9.97	110T	90	6.66	7.20
White Sewing Machine, 6s, 1936 (b)	....	5.60	105	†98	6.42	6.30
SHORT TERMS						
Cen. of Georgia Ry., Sec. 6s, June 1, '28	31.1	2.11	102T	102	5.88	4.94
Gen. Petroleum 6%, April 15, 1928	....	5.18	101T	101⅛	5.93	4.82
Sloss-Sheffield P. M. 6s, Aug. 1, 1929	1.7	4.55	105	102⅝	5.84	4.60

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

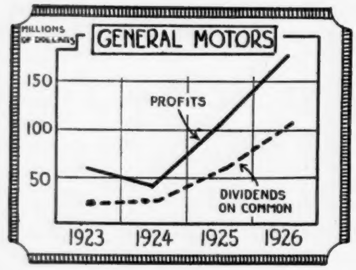
Y—Recent earnings about 2.16 times. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. NS—Not segregated. (c) Listed on N. Y. Curb Market.

† Without warrants.

Prospects for 10 Leading Motor Companies



General Motors—A Modern Marvel



THE situation regarding General Motors Corporation is so radically different in its aspects from the contributing factors affecting other motor car manufacturers that the problems confronting the latter are scarcely applicable to it at all under present conditions in the industry. In fact, General Motors itself is in reality responsible for a large part of whatever difficulties are being encountered by its competitors, in that its remarkable and steady growth in sales is at the expense of these competitors as a whole, and does not find its source in an increased general consumption, aggregate automobile sales having undergone some recession from last year.

Thus the industry's leader continues to establish new records in what is commonly considered an off year in the automobile trade, the answer being that it is an off year only by comparison with the recent past as far as general demand is concerned, conditions appearing much worse than they actually are on account of the unbalanced distribution of orders and the increasing diversion of available business into the hands of General Motors.

Up to May 31, actual sales by dealers to consumers made a new high mark in each individual month, exceeding by wide margins the figures for the corresponding months respectively of last year. The total for the period was 680,780, representing an increase of 177,766 over the first five months of 1926, monthly gains ranging from 27,312 in January to 43,463 in April. This sales expansion of the corporation is all the more remarkable in view of the absence of anything in the nature of price reductions, with the result that gains in volume are reflected to a full extent in net income, and even more, because volume production makes possible lower unit costs, and, consequently, greater margin of profit. In view of the absence of price cutting, it cannot be justly charged that General Motors is seeking to destroy its competitors by ruthless methods. The situation simply exemplifies the economic soundness of a great organization of this character having a worthy representative in each price class, as long as the same thought is given to operating efficiency as is essential in the case of a smaller organization.

The General Motors passenger group now comprises seven makes of cars handled by five divisions, as follows: Cadillac-LaSalle, Buick, Oakland-Pontiac, Oldsmobile, and Chevrolet. The Chevrolet and the Buick, the leading representatives in the low and medium priced classes, respectively, constitute by far the bulk of the output, the former being the line that has made such heavy inroads into the Ford business, and that at present represents the most dependable source of income. Chevrolet's production in the first five months is

not only 60% ahead of the corresponding period last year, but in each month of 1927 it has exceeded the figure for the previous month. Total output during that time was 494,953 units as against 727,952 for all General Motors cars, the latter representing an increase of about 40% over 1926 compared to 60% for Chevrolet. It should be of interest to observe the monthly record of Chevrolet in conjunction with that of the other lines combined.

	Chevrolet Output	Output of All Other Lines
January	73,676	25,691
February	85,817	38,609
March	107,900	54,010
April	111,937	57,130
May	115,623	57,559
	494,953	232,999

It will be noted that Chevrolet's output amounted to 68% of the total, and its ratio of increase over last year is materially greater than in the case of the other makes of cars in the aggregate. The higher priced models, of course, yield a larger profit per unit, so that the same ratio does not hold true of sources of income. It would be interesting to see the proportion that each division contributes to total net income, but in the absence of such information, it is only possible to form an approximate estimate as to the relative importance of the component parts of the organization, from the standpoint of tangible returns to the treasury.

Without regard to the undoubted encroachments of Chevrolet on Ford strongholds, the exceptional growth in sales during the current year must be attributed in part to the voluntary let-down of Ford activities incident to the introduction of new Ford models later in the year. What effect these will have upon the industry in general and upon General Motors in particular, when volume production is attained, constitutes the outstanding development in anticipation for the automobile industry. It is to be expected that the new Ford will at least retard the rate of growth in the demand for Chevrolets, but there will be some difficulty in regaining the lost territory upon short notice to any serious extent, and Chevrolet can stand a moderate recession in sales without materially affecting the well-nigh impregnable position of General Motors.

On the basis of the known results for the first quarter and the trend of sales in the second quarter, semi-annual earnings of between $14 and $15 per share on the common stock are in prospect. Even a 30% decline in profits in the second half-year, therefore, would still permit earnings close to $25 a share for the full year, a figure substantially above the $19.36 shown in 1926 on the present capitalization. In comparing share earnings with those reported for the greater part of last year, it should be remembered that the amount of common stock outstanding has been increased by 50% through the medium of a stock dividend in the closing months of 1926, and that there is 25 millions additional preferred stock, recently issued, which serves to reduce the balance available for the common as compared to former years. If, as expected, a 2 for 1 split-up takes place, the amount of outstanding stock will be within striking distance of the old figure in excess of 20 million shares.

Considering the strongly entrenched position of all the lines upon which the foundations of the organization are built, it is improbable that anything short of a general business depression will upset the present standard of earnings to any marked extent, and the same holds true of the market position of the stock while the general market situation remains favorable.

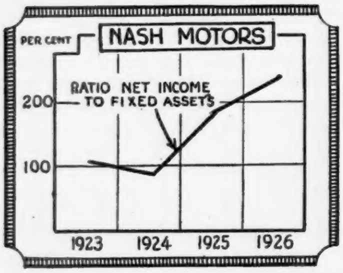
There are elements of risk in a stock selling around 200, regardless of its worth, unless ample provision is made against the possibility of fairly sizable intermediate reactions. From the standpoint of actual values, however, General Motors still offers probably the best security among junior issues in the motor group, with market prospects quite as favorable as any, provided that conditions affecting the entire industry show no retrogression.

Ten Leading Motor Stocks

1926	Earned $ Per Share	1926 Earned on Recent Market Price %	High-Low 1926-27	Recent Price	Div. $ Per Share	Yield %
General Motors	21.80	10.73	205½-113¼*	200	8.00†	4.00†
Studebaker	6.66	13.33	62 - 47	50	5.00	10.00
Dodge Brothers	6.46	30.79	47¼- 17⅝	21	...	....
Hudson	3.66	4.30	(A)123¼- 40¾	85	3.50	4.10
Nash	8.50	13.29	(B)645 - 52	64	4.00	6.30
Packard	5.29	15.05	45¼- 31¾	35	2.90	8.28
Chrysler	4.77	9.73	(C)218 - 28½	49	3.00	6.10
Willys-Overland	0.23	1.14	34 - 18	20	...	....
Mack Trucks	10.81	9.91	159 - 88¼	100	6.00	6.00
White Motor	2.73	6.20	90 - 39½	37	4.00	10.80

* Before 50% Stock Dividend. (A) Before 20% Stock Dividend. (B) After 900% Stock Dividend. (c) Old Stock.
† Not Including Extras.

Nash Motors



THIS phenomenon of the automobile industry, although for the time being not exhibiting the amazing growth of recent years, has yet to show any evidence that its position has been impaired as a result of increasing competition and the decided tendency towards an unbalanced state of affairs in the industry. The public has so long been accustomed to witnessing the persistent prosperity enjoyed by this company regardless of general conditions that any important reversal in its affairs would probably be more conducive to diminished confidence in the soundness of the industry, as far as the independent producer is concerned, than any other event. For the first time since 1921, earnings are not unlikely to show some decline from the preceding year, but the comparison is with a very high standard of achievement difficult of repetition in view of the greater sales resistance and the mixed conditions prevailing for several months past. There is little question that Nash will show its dividend, now established on a $4 annual basis, covered by a comfortable margin, with no necessity for applying any part of its huge working capital in meeting this obligation.

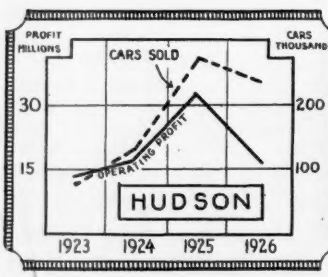
In the first quarter of this year Nash earned $1.43 per share on its single class of stock outstanding, or 43% over the dividend requirement for the period. Results for the second quarter ending May 31 are not yet available, but on the basis of the higher rate of output during that period, a somewhat more favorable showing is anticipated, especially as December, the first month of the company's fiscal year, is proverbially a light month. Whereas production in January and February averaged somewhere around 400 cars daily, recent output has been at the rate of 600 cars. Thirteen thousand three hundred and fifty-five units were actually shipped in May, and the June schedule called for 14,750. The company has been indefatigable in the introduction of new models, no less than three making their appearance in the early spring, a Cabriolet, a Coupe, and a Sport Touring model, built on the Special Six and Advanced Six chassis. These brought the total line up to 26 models.

The products are manufactured in three plants situated in Kenosha, Milwaukee and Racine, Wisconsin, the Kenosha plant taking care of models built on the Advanced Six chassis representing the original Nash line while the Special Six and Light Six respectively are manufactured at Milwaukee and Racine. The Light Six is what was formerly known as the Ajax made by a subsidiary, but during the past year its interests became completely identified with those of the parent company in conjunction with the change in the name of the product. The Light Six being the lowest in price, its output numerically is considerably greater than in the case of the other two. It averages not far below 50% of the entire production.

The Nash management, recognized as among the highest type in the industry, is fully cognizant of the situation existing in the automobile industry, the prospect of more intense competition than ever before, and the likelihood of some recession during the present year from the great volume of aggregate output in 1926. It is accordingly laying its plans and conducting its operations on that basis, and by maintaining factory, dealer and service organizations at the highest standard, it is in an excellent position to hold its own without the necessity of artificially stimulating its sales at the expense of margin of profit through price reductions.

It should not be inferred from this generally optimistic outline that Nash Motors stock around present levels of 64 is a bargain based on prospects for the near future. The price appears to represent approximately what the shares are worth at this juncture, but the yield is not unattractive, and from the longer range angle the stock possesses meritorious aspects.

Hudson Motor Car



THERE is probably more mystery in connection with the affairs of the Hudson Motor Car Co. than in the case of any other leading automobile manufacturer. Without regard to the moss covered rumor of eventual acquisition by Ford interests, it has proved extremely difficult to prognosticate the status of the company in advance even for a brief period. It has demonstrated an unusual ability to adapt itself readily to new conditions. When net income took a precipitate drop from 21.4 millions in 1925 to 5.4 millions for the thirteen months ending December 31, 1926, the fiscal year having been changed to conform to the calendar year, the opinion was expressed in some quarters that the policy of achieving greater and greater mass production in conjunction with successive reductions in the price of the product had reached the saturation point, and that excessive competition had made more or less permanent inroads into the volume of business. The company made a very effective response to these observations

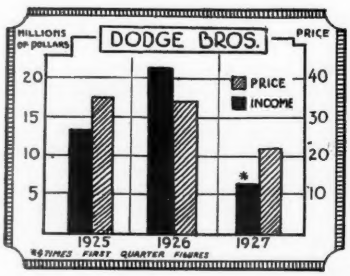
by reporting for the first quarter of 1927 a net income in excess of 4 millions, equivalent to $2.52 a share on its capital stock, as against $3.37 for the preceding 13 months.

This remarkable and sudden acceleration in sales was stimulated by the creation of new models in both the Hudson and Essex lines, involving among other changes a radical improvement in the body design of the Essex, the company's representative in the low priced field. The Essex has been outdistancing the Hudson. Just prior to the suspension of production of the former early in June, the ratio of output was about four Essex for one Hudson, compared to an average of around two for one in the opening months of the year. Total shipments for May constituted a new record for that month. For many weeks an average production of 1,500 cars daily was maintained, which was necessary to conform to the schedule of between 35,000 and 40,000 monthly, a figure well above those attained in any former year. It was planned to turn out 25,000 units in June despite the let-down in operations. The June curtailment is largely seasonal. Complete suspension of the Essex output for about two weeks was to be followed by similar action on the Hudson models. In addition to allowing dealers to reduce their stocks preparatory to the introduction of 1928 models, the temporary shutdown permits whatever adjustments are necessary in order to facilitate capacity production later in the year. It is even said that the company's objective is capacity sufficient for a daily output of 3,000 cars, all of which would hardly support any theory that there is much danger of Hudson ceasing to be a dominating factor in the automobile world.

The financial condition at the last year-end presented its usual strong aspects, cash and Government securities aggregating nearly 10.5 millions, well in excess of all current liabilities. As for many years past there was an entire absence of bank loans. A stock dividend of 20% was paid in 1926 in conjunction with a cash dividend increase from $3 annually to $3.50 applicable to the larger amount of stock outstanding. A 10% stock dividend was disbursed two years earlier, and if earnings can be maintained at the present favorable levels, additional distributions of this character may confidently be expected from time to time. When Hudson embarked upon its expansion program, it was decided to finance all plant extensions from surplus earnings, and to capitalize the resulting increase in assets through the medium of intermittent stock dividends.

Conditions in the industry fluctuate too rapidly to provide any great assurance as to the course of events in the second half-year, but, based on the adaptability of the company and its ability to obtain its full share of available business at a time when prosperity is being concentrated in the hands of a comparatively small number of automobile manufacturers, Hudson stock ranks among the few in the motor group deserving of any material degree of confidence.

Dodge Brothers



THE first departure of Dodge Brothers, Inc., from the low-priced four-cylinder field was accompanied by the first setback in earnings experienced, not only since the spectacular transfer of financial participation in the enterprise to the public two years ago, but in the entire period since 1921. Expenses in connection with the expansion program probably contributed towards this circumstance, although the failure of the company to earn more than three cents a share on its common stock in the first quarter of the current year was more a reflection of a decline in sales in the early months, which can be explained in part at any rate by the lull in buying occasioned by anticipation of certain important improvements embodied in the regular four-cylinder car, involving among other things increased horsepower, better acceleration, and improved engine performance. This is borne out by the gradual gain in weekly output during the last three months to a point comparable with last year's average.

The first shipments of the new six-cylinder models occurred in May, and it is planned to have all dealers throughout the country supplied by the end of June. Current daily production has reached 200, the program calling for a gradual increase to 300 daily before August 1. It is reported that sufficient orders are on hand to maintain the latter schedule for the balance of the year. The real test of the six-cylinder should come next year when the novelty has worn off. Certainly the company has entered another highly competitive price field, and should be subject to as intense competition there as it has already experienced in the lower priced group. At a figure of around $1,600, the "Six" appears somewhat out of line relatively with the "Four," thus giving the two types a different position in their respective classes. What effect this will have upon sales it is too early to judge, but it would seem necessary to develop an entirely new character of clientele if a steady and growing volume is to be achieved on the latest product. If demand comes up to expectations, there will be ample facilities for volume production whenever warranted, for a separate plant, said to be the longest building in the world devoted to automobile manufacture, was constructed especially to take care of the six-cylinder output.

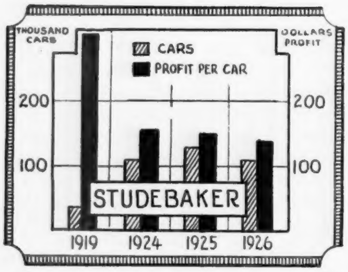
The Dodge situation is not without some encouraging features. The truck business, now embodied in the wholly owned subsidiary, Graham Brothers, is greater than ever before,

and at the present rate of production of passenger cars, it is reasonable to anticipate considerably better results in the second quarter now ending than in the first quarter, provided that the major portion of the current output represents actual sales, which is a natural assumption in view of the policy of the company during the opening months of the year in holding down production to conform to sales.

The capitalization of Dodge Brothers is undeniably heavy, with the common stock and to a considerable extent the preferred stock based on earning power rather than tangible assets. The favorable earnings of 1925 and 1926 in conjunction with the absence of common dividends have served to build up a greater equity behind the preferred, but it is essential that adequate earning power should be speedily restored if the capitalization is to be properly supported. Some 15 millions of the convertible bonds were exchanged for common stock when higher levels were prevailing for the latter, but the present conversion price precludes further action along these lines for some time to come at any rate, and of course much improvement must take place before common dividends become a possibility.

All in all, Dodge common around 20 is very much of a speculation, but an intermediate advance based on improving sales is possible, and it may be taken for granted that the management will do everything in its power to maintain the company's position in the trade, the degree of success largely determining the longer range outlook.

Studebaker



THE Studebaker Corporation, having experienced less spectacular variations in volume of business than many of its competitors, there has not been quite the same degree of interest in the action of the stock as in the case of Hudson, Nash and others in the motor group. Although maintaining an output well in excess of 100,000 cars in each of the past five years, Studebaker has never attained the peak reached in 1923, when 145,167 units were sold, and 1926 witnessed a decline from 134,664 in the preceding year to 111,315, accompanied by a recession in common share earnings from $8.55 to $6.67. The common stock, paying $5 annually, has moved within a narrow range during the present year, and for the most part has fluctuated around a level where the yield is nearly 10%, despite an adequate financial setup, and first quarter earnings about 50 cents a share in excess of the $1.25 dividend requirement for the period. This is largely a reflection of the general uncertainty in the automobile situation, the unceasing strenuous competition with the rapidly expanding sales of General Motors in the same price class, and the still undeterminable results of a general price reduction put into effect last February in connection with the 75th anniversary of the founding of the business.

The price changes have undoubtedly stimulated sales, but it will be necessary to await publication of figures for the second quarter before the effect on profits can be judged. The margin of profit has shown a declining trend for several years, and in view of current developments, it would appear to require considerable acceleration in sales to bring about

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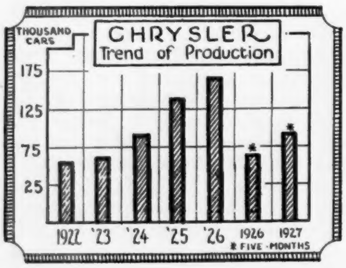
Chrysler Corporation



BY reinvesting more than 16 million from earnings during the past two years, Chrysler Corporation has developed an exceptionally modern group of plants with a capacity to produce 1,250 cars per day. During this period regular quarterly dividends at the annual rate of $3 a share have been paid on the common stock, net working capital has increased from 16.2 million to 29.4 million, volume of sales has jumped from ninth to fourth place in the industry, and the market valuation of the corporation's securities has increased from about 23 million to not far from 164 million, or about 613%.

Although always operating at considerably underrated capacity, in the first five months of this year output was about 85,000 cars compared with 66,434 in the first five months of 1926. Current production (first week of June) is about 580 cars a day. This compares with about 800 late in April and early in May and 1,000 around the middle of March. The lower current output is partly seasonal and apparently will not prevent a record production of more than 100,000 units in the first half.

It is officially stated that the margin of profit is increasing rather than decreasing. It is a matter of record that most motor companies earned less per unit in the first quarter

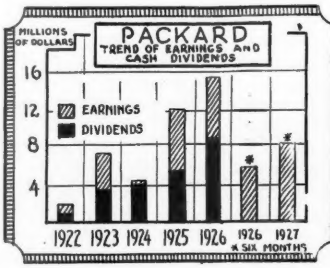
than last year, but Chrysler earned nearly $106 per car net compared with a net of a little over $90 a car in the year ended December 31, 1926. The net profit for the first quarter was equal after dividends on the 214,734 shares of $8 preferred to $1.72 a share on the 2,707,090 shares of common. For the six months ended June 30 Chrysler should report about $3.25 per share earned on the common against $3.02 in the first half of last year. It is too early to estimate the net for the full year, but it should be as good as last year when the net for the stock was $4.77 compared with $5.67 in 1925 and $3.56 in 1924.

At the end of March, 1927, cash and cash equivalents totaled 22.5 million against 17.7 million inventories and 16.4 million current liabilities. With the bulk of the expansion and plant improvement expenditures out of the way, cash holdings should now be piling up quite rapidly.

The management may elect to increase the dividend on the common stock to $4 per annum, or to retire the $8 preferred stock at 115. The latter operation would cost about 24.7 millions and save for the common stock a sum equivalent to about 63 cents a share per annum which is being paid out in preferred dividends. It has been suggested that the preferred might be eliminated through some kind of an exchange of stock offer without depleting cash assets, or might be eliminated through funds received from the sale of an issue of 5% or 5½% debentures.

The prospect that the preferred will be eliminated is good, and, when selling below the call price, the issue would appear to be an unusually safe and more than reasonably sure speculation. The common represents ownership in one of the soundest and most progressive motor companies, but does not appear to possess as great speculative possibilities as formerly, though worth retaining by those who hold at lower prices. In all probability the dividend shortly will be increased to $4.00 per annum.

Packard Motor Car Company



STANDING almost alone among the independent companies, a consistent and notable seasoned operating and financial success in the higher priced field, Packard Motor Car Company is to be classed as one of the most substantial and best managed corporations in the motor industry. Its Detroit plants, equipped with all those special devices so necessary in the production of finer automobiles and aeronautical engines, are rated as among the best in the city.

Packard owns many of its own distributing organizations, including the real estate used. It is one of the only motor organizations, outside of General Motors, which derives an important part of net from non-automobile manufacturing operations. Last year 65% of net earnings came from automobile manufacturing and 35% came from other sources, from the retail selling organization, from real estate operations, from interest on securities owned, and from the parts and aeronautical divisions. In the fiscal period ended August 31, 1926, net earnings from manufacturing alone were about $303 per car or 10.2% of the average selling price per unit.

Packard has no funded debt or preferred outstanding ahead of the 3,004,264 shares of common of $10 par value on which regular monthly dividends are being paid at the annual rate of $2.40 a share. Dividend requirements, therefore, are about 7.2 millions per annum.

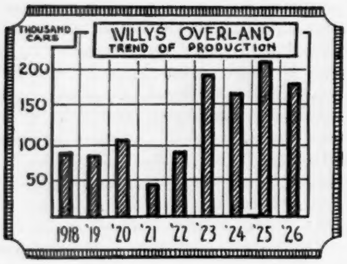
Net profits were 15.8 millions in 1926, 12.2 millions in 1925, 4.8 millions in 1924 and 7.1 millions in 1923. In the six months ended February 28, 1927, the first half of the fiscal year, the net was 5.9 millions against 8 millions in the corresponding period of the previous fiscal year when all motor companies were enjoying unusually good earnings.

Packard now is producing about 60 cars a day against a peak of 130 cars a day in April, according to unofficial reports from Detroit. For the quarter ended May 31, 1927, it probably will report a net of about $1.00 a share compared with $2.11 a share in the same period a year ago. Assuming an indifferent fourth quarter, net for the 12 months to end August 31 probably will be about $3.50 a share. More than $4.00 a share at this time seems improbable. Last year Packard earned $5.27 a share on 85% as many shares as are now outstanding. It seems that sales will be somewhat smaller than in the preceding year and the margin of profit has been reduced more or less by price cuts. There are no definite figures available of this year's output. In 1926 Packard turned out about 34,000 units.

At the end of August, 1926, Packard's holdings of cash and cash equivalents were 18.3 million against 11.4 million inventories and 10.7 million current liabilities. Current assets were 34.4 million.

So far in 1927 Packard stock has fluctuated in a purely trading area. Evidently, large holders are not anxious to reduce their investment, and the stock is well placed. The issue appears to be an attractive long pull speculative investment, and the return of almost 7% offered is reasonably liberal, although in a general market setback it probably could be acquired somewhat cheaper than present prices.

Willys-Overland



ABOUT 74% of Willys-Overland's output in recent weeks has been in the highly competitive low priced poppet-valve field where sales must be made in competition with the Ford, Chevrolet, Essex and Pontiac. Only about 26% of current output seems to be in the sleeve-valve Willys-Knight division where the margin of profit is wider and where, as far as motor design goes, there is no competition.

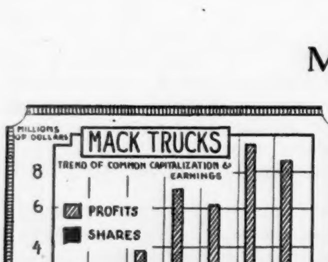
This is one way of explaining why the company's profits per car now are less than those of most of the other larger makers. According to trade reports, early in June, Overland was making 500 Whippet 4's, 140 Whippet 6's, 200 Willys-Knight 70's and 30 Willys-Knight 66's daily. The total of 870 cars a day compares with a peak of 1,576 cars in a single day in May, which was a record for the company. Overland has been registering some good gains in sales over last year, but a year ago the four-cylinder poppet-valve car was all but out of production because of model changes. Output for the first four months was 27% larger than in 1926.

In the first quarter, when earnings were $41.69 per car against $29.44 per car in the first quarter of 1926, net profits were 81 cents a share compared with 37 cents a share in the first quarter of the preceding year. The profit for the second quarter is officially estimated at around $1.30 a share against $2.78 in the second quarter of 1926. Outlook for the second half year, according to officials, is not yet clear. From the viewpoint of the outsider, the management will accomplish something quite unexpected if it earns as much in the balance of the year as it earns in the first half.

The common stock, which is one of the more erratic motor issues marketwise, does not appear any nearer dividends now than several years ago. At the end of 1926 the company had only 6.9 millions in cash and equivalents against 23.2 millions inventories and 4.1 millions receivables, while current liabilities were 8.1 millions and current assets 34.2 millions. Net working capital per car of output is smaller than in the case of most of the other concerns. In the meantime, earning power, while large at times, is highly irregular. *On the other hand, some benefits to common stockholders may accrue from the Willys venture into the lower priced sleeve valve field, the new Falcon Knight.* This might take the form of a valuable subscription privilege or a stock distribution of shares in the new company which Overland is believed to control. The Falcon plant at Elyria, Ohio, is reported to be producing about 85 cars a day at present.

The first mortgage 6½s represent a well secured investment, and are attractive for those seeking a high yielding bond. The preferred stock is a good business man's risk. So long as the company's profit trend remains so irregular, and its working capital per car of output remains so small, the common is likely to remain out of the dividend list. While the outlook for the common stock must be labeled "uncertain," it may be pointed out that at around 18 the issue is selling for only a little more than half its 1926 high and that it represents ownership in one of the largest companies and a corporation of no mean long pull possibilities. Holders might continue with the stock pending developments.

Mack Trucks, Inc.



MACK TRUCKS, Inc., continues the strong, progressive company of heavy duty truck and bus field; but due to the larger number of shares now issued as well as to the more competitive conditions in the business and the somewhat smaller volume of business offered, per share earnings are not as large as in the years directly behind. Net for the first quarter was $1.65 a share on the common against $3.32 a share in the first quarter of 1926, and for the period to end June 30 profits probably will not be over $2.50 a share compared with $4.48 a share in the second quarter last year. In the second half, however, the 1926 showing should be equaled or bettered. Profits in 1926 were $9.86 a share compared with $12.37 a share in 1925 and $16.18 a share in 1924.

Recovery in per share earning power to the old level depends upon the growth of the company to its larger common capitalization as well as upon recovery of the truck and bus industry to a more normal level of prosperity. As the chart shows, common capitalization has been increasing relatively faster than net earnings.

The Mack plants now are operating at close to capacity, although unit output seems to be below last year. This is because the bus business, especially the big bus business, is larger

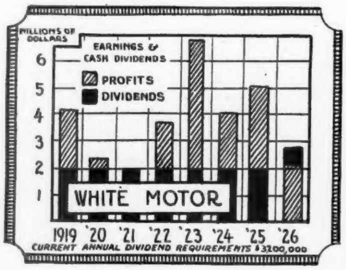
than a year ago, and the bus capacity of the plants is smaller on a unit basis than the heavy duty truck capacity. The heavy duty truck business is not up to last year's record, the demand being more concentrated in a few lines and less spread out over all channels of distribution. More of the Mack Trucks, it is said, now are going to highway contractors. Apparently the bus business is excellent, especially that received from the larger public utilities and railroads.

Since 1921 Mack has exercised excellent control over its margin of profit, the ratio fluctuating between 12.7% in 1922 and 15.9% in 1923. Even in 1926, when abnormal difficulties were encountered in the second half, the company earned 12.8 cents on a dollar. On the basis of last year's sales it takes 7.8 cents on a dollar to cover common and preferred dividend requirements.

Mack is earning its dividends at present by a margin of perhaps as much as 50%. At the end of last year current assets were 57.3 millions against 5 millions current liabilities. Cash holdings were 3 millions and current bank borrowings were 1.8 millions. Net working capital at the end of the year was about 75% of the period's sales. The dividend, therefore, may be regarded as adequately protected. On the other hand, there does not appear to be the slightest possibility of an increase in the rate of distribution this year.

Until per share earning power begins to show a more notable recovery than seems probable in the immediate future, advances in Mack Trucks common shares logically should be measured. The company is sound, however, and purchases on weakness for the pull in the long run should prove profitable and involve considerably less risk than the purchase of most motor issues. It is suggested that below 100 would represent a more satisfactory buying opportunity than the present price where the technical position seems uncertain.

White Motor



LIKE most of the truck manufacturers, White is not enjoying as large a volume of business as last year; and because of drastic price cuts in February the margin of profit apparently is not as satisfactory as in recent years. Probably the $1.00 quarterly dividend is not being fully covered, and the directors are drawing upon previously accumulated liquid assets to continue the distribution. Since White's dividend policy in the past has been conservative, working capital position is such as to permit such a procedure for a reasonable period; but the payment cannot be continued indefinitely unless there is a recovery in net. This explains why the stock is selling to return about 8.7%.

Last year's net was 3.9% of sales, or $2.73 a share on the 800,000 shares of capital stock of $50 par value. This compares with $10.11 a share on 500,000 shares in 1925, in which year the margin of profit was 8.7%. At the end of December, 1926, current assets, which included $2,329,258 cash, were $36,996,903 against $4,023,646 current liabilities, and the company was not borrowing from the banks. This financial showing, while comfortable so long as profits are normal, is not affluent enough to indicate that the dividend can be continued very long if it is not earned. It must be remembered that annual requirements to meet the $4.00 payment are $1,200,000 larger than before the 20% stock dividend and the offering of additional shares to stockholders, and that profits so far have been smaller instead of larger than before the change.

White's big need seems to be to increase its margin of profit but since the first of the year the management seems to have had about all it could do to maintain, or nearly maintain, the volume of sales. The company's new six-cylinder bus in being well received, and may accomplish a great deal in this direction. Quite probably the second half year will be a more profitable period than the second half of 1926 when earnings were disturbed by the change in credit policies and reduced by credit losses in some sales districts. Moreover, it is quite possible that the bus and truck business in general, which has been a bit depressed now for nearly a year, will begin to show a normal improvement. Thus, while the White dividend is not out of the doubtful class, there is no reason to despair of it.

White has been a pretty good stock to own. It has paid $1.00 a share each quarter for 46 consecutive dividend periods, and advanced from a low of 29¼ in 1921 to a high of 104½ late in 1925 before the payment of the 20% stock dividend and the issue of a subscription privilege. The company has an annual sales volume of over $60,000,000, and requires a margin of but 5.4 cents on each dollar of sales to cover dividends. In all late years except 1926, 1921 and 1920 (abnormal periods in each case) the margin has been above this figure

The position of White Motor shares at present is most interesting. If the dividend is to be continued they are worth a great deal more than the current market price. If the dividend is to be cut or passed, the prevailing quotation is too high. Hence, rather than to make a commitment at the present time, those interested in the issue should watch company developments with unusual care.

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2 ***Confine requests for an opinion to three securities.***
3 ***Write name and address plainly.***

CHICAGO, ROCK ISLAND & PACIFIC

I have been holding 20 shares of Rock Island for several years having bought it at 48. I have been advised to take my profit of over $60 a share. What do you think?—E. J. T., Boston, Mass.

Chicago, Rock Island & Pacific Rwy., previously, has long been regarded as a road of high property value and low earning power. The company's main line extends from Chicago to Denver and Colorado Springs. Another line extends from Chicago to Santa Rosa, New Mexico, where it joins the El Paso and South Western (a part of the Southern Pacific System) with which it has traffic connections. Other lines extend from St. Louis to Kansas City and to St. Paul, and from Memphis westward, the network covering 14 states of the Middle Western territory. In all, 8,000 miles of line are operated, the territory served being highly competitive. In January, 1926, it was announced that through acquisition of a material stock interest in Rock Island the St. Louis-San Francisco Rwy. had assumed working control resulting in closer traffic arrangements, increased economies in operation, and other mutual benefits. It is possible that the two roads will eventually become merged. Rock Island's traffic is well balanced, and about two-thirds of its tonnage originates on its own lines. Revenue freight density and freight train load have shown moderate increases over the ten-year period ending with 1926, but steady decline in operating ratio from a high point of 94.07% in 1920 to 74.55 in 1926 has been accompanied by a distinct upward tendency in earnings to $4.36 per share in 1924 on the 744,825 common shares outstanding, $4.56 in 1925, and $10.67 in 1926. Further improvement is being shown in the current year, indications being that in excess of $15 per share will be shown in full 1927 year. Prospects are that the road is likely to maintain its vastly improved status in ensuing years, and a higher dividend could be comfortably supported. We suggest retaining for further price appreciation.

WORTHINGTON PUMP & MACH.

Worthington Pump has moved up 15 points since you suggested that it would be to my interest to hold my stock in view of the likelihood that it would sell at much better figures this year. Do you feel that the present price represents the best that can be expected. I now have a profit instead of the loss which my holdings registered when I wrote you before.—E. R. T., Nashville, Tenn.

Following a period of prosperous operations during the war years, earnings of Worthington Pump & Machinery Corp. have been subject to considerable contraction in subsequent years. Thus net income of $4.7 million in 1917 declined steadily to a deficit of 188 thousand in 1921, recovering to 1.67 million profit in 1923, followed by gradual decline to net income of 365.6 thousand in 1926, the latter being equivalent to $2.30 on the combined 159,145 Class A and Class B preferred shares outstanding. There are 126,921 $100 par value common shares outstanding. Despite the substantial shrinkage in earning power the company has maintained a strong financial condition. Large sums have been expended in recent years in the developing the two-cylinder double-acting Diesel engine which has met with favorable reception and the company is enjoying increasing volume in sales of locomotive feed water heaters. Increased business with greater economies in operation are likely to result in improvement in earnings of 1927 over 1926, but the favorable aspects of the situation seem temporarily well discounted in present prices of common shares. Eventually, however, with further progress toward utilization of the company's Diesel engine products, the stock may give a good account of itself. It is more suitable, however, for a speculator than an investor.

PRODUCERS & REFINERS

In 1923 I was induced by a broker to buy 25 shares of Producers & Refiners at 55 and I bought it on margin but afterwards took up the stock and still have it. I only got one dividend on it. It afterwards went to 10 or 12 but I have held on. To me it looks as if it is going to come back and I wish you would tell me if I would be doing well to buy more stock and average down the cost?—I. J. R., St. Louis, Mo.

Following earnings of 18 cents per share of common stock in 1919 reported profits of Products & Refiners Corp. rose to $5.77 per share in 1922

When Quick Service Is Required, Send Us a Prepaid Telegram and Instruct Us to Reply Collect

declining subsequently to $3.11 in 1923, 95 cents in 1924 and a moderate recovery to $1 per share was shown in 1925. In 1925 the company wrote off $16,147,466 out of surplus from valuation of leaseholds, losses and other adjustments, following failure to make any provision for those items in the three next preceding, bringing profit and loss surplus to only 7.1 thousands. In 1926, 2.175 millions were deducted from income account in writing off investments, losses on assets sold and surrendered leases and wells. The net result was a balance for 1926 of slightly over $133,000, equal to $2.34 per share on 56,907 preferred shares against $1 per share on 748,799 common shares in 1925. On May 1, 1927, accumulated back dividends on preferred stock amounted to 14%. Latest balance sheet discloses a financial condition sorely in need of improvement. Total current assets amounted to 5.58 millions against current liabilities of 14.65 millions, an excess of current liabilities over current assets of 9.07 millions. Cash stood at 403 thousands, and bank loans and debt to affiliated companies amounted to about 13.4 millions. Surplus position at the end of 1926, showing profit and loss of only 140.5 thousands on 60 millions of stated assets was small, and that nominal sum was subject to depletion charges. We see nothing in the present situation or prospects for the future to warrant holding the common stock, and suggest disposing to the best advantage.

AMER. BROWN BOVERI ELEC.

Please tell me what to do about my investment of 50 shares of American Brown Boveri. I bought it early this year at 32 and I have a 20 point loss now. If you think I ought to sell it at once please wire me collect.—R. A. S., Buffalo, New York.

In accordance with your request we have wired you suggesting disposal of American Brown Boveri participating stock. This company is an adaptation of the assets and business of the New York Shipbuilding Corp. to cover the American requirements of Brown Boveri & Co., Ltd., of Switzerland, one of the largest electrical companies in the world. The American company is engaged in the construction of both merchant vessels and naval vessels,

(*Please turn to page* 461)

Notice

American Water Works & Electric 7% cumulative preferred stock, having been called for redemption @ 110 as of August 15, 1927, has been removed from the Preferred Stock Guide.

Continental Gas & Electric Corp. Participating 6-8% cumulative preferred stock has been added to our list. This issue is entitled to cumulative dividends at the rate of 6% annually and participates in common disbursements up to amount of 2% additional. The full 8% rate in now being paid. These shares are dealt in over-the-counter.

Preferred Stock Guide

These stocks are selected as offering best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
Baltimore & Ohio	4 (N)	7.8	No	73	52	81	4.9
Chicago & Northwestern	7 (N)	6.2	No	126	97	137	5.1
Colorado & Southern 1st	4 (N)	8.9	100	66	47	77	5.2
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	F106	F83	107	5.6
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	S4.6	110	N104	N92	106	5.7
North American	3 (C)	7.3	52.50	52	38	52	5.7
Philadelphia Company	3 (C)	6.5	No	51	41	52	5.7
Public Service New Jersey	8 (C)	3.0	No	124	95	132	6.1
INDUSTRIALS							
American Smelting & Ref.	7 (C)	3.3	No	122	86	125	5.6
American Steel Foundries	7 (C)	7.4	110	115	97	113	6.2
Associated Dry Goods 1st	6 (C)	4.8	No	102	75	104	5.7
Baldwin Locomotive	7 (C)	3.3	125	119	104	121	5.7
Brown Shoe	7 (C)	4.4	120	111	85	117	6.0
Endicott Johnson	7 (C)	4.9	125	120	104	120	5.8
General Motors	7 (C)	12.0	125	122	79	124	5.6
Inland Steel Co.	7 (C)	F8.0	115	F115	F96	117	6.0
Studebaker Corp.	7 (C)	26.8	125	125	100	120	5.8

For Income and Profit

SOUND INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
Bangor & Aroostook	7 (C)	2.5	110	103	84	113	6.2
Colorado & Southern 2nd	4 (N)	7.0	100	62	35	74	5.4
Kansas City Southern	4 (N)	4.8	No	68	52	70	5.7
Pere Marquette Prior	5 (C)	10.2	100	96	63	97	5.2
St. Louis-San Francisco	6 (N)	12.0	100	97	34	100	6.0
St. Louis Southwestern	5 (N)	2.6	No	80	32	91	5.5
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	H3.3	100	H89	H48	86	7.0
Continental Gas & Elec.	8 (C)	T4.0	110	T105	T94	107	7.5
Engineers Public Service	7 (C)	S2.4	110	N99	N94	105	6.7
Federal Light & Traction	6 (C)	5.0	110	H91	H74	99	6.1
Kansas City Pr. & Lt.	7 (C)	T3.1	115	F110	F91	115	6.1
Hudson & Manhattan R. R. Conv.	5 (N)	5.9	No	80	25	85	5.9
West Penn Electric	7 (C)	....	115	N102	N95	109	6.5
Standard Gas & Elec.	4 (C)	2.5	No	57	41	63	6.4
INDUSTRIALS							
American Cyanamid	6 (C)	3.6	120	96	5[illegible]	87	6.9
American Metal Co., Ltd.	7 (C)	8.0	110	120	103	109	6.4
American Sugar Refining	7 (C)	1.6	No	110	84	112	6.3
Associated Dry Goods 2nd	7 (C)	6.9	No	110	76	109	6.4
Bethlehem Steel Corp.	7 (C)	3.1	No	105	87	110	6.4
Bush Terminal Buildings	7 (C)	1.1	120	103	87	112	6.3
Central Alloy Steel	7 (C)	....	110	N107	N106	108	6.4
Cuban American Sugar	7 (C)	6.9	No	106	68	104	6.7
Deere & Co.	7 (C)	F1.7	No	110	61	115	6.1
Devoe & Raynolds 1st	7 (C)	T6.1	115	F100	F90	107	6.7
Genl. American Tank Car	7 (C)	3.3	110	109	86	109	6.4
Gimbel Brothers	7 (C)	4.3	115	114	93	105	6.7
Goodrich (B. F.) Co.	7 (C)	3.1	125	102	67	98	7.1
International Silver	7 (C)	2.8	No	108	90	117	6.0
Reid Ice Cream	7 (C)	T6.9	110	T100	T92	101	6.9
U. S. Cast Iron Pipe	7 (N)	5.0	No	118	50	116	6.0
U. S. Industrial Alcohol	7 (C)	4.3	125	115	89	112	6.3

SEMI-SPECULATIVE

RAILROADS	Div. Rate $ per Share	Div. Times Earned—5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
Chicago, Rock Island & Pac.	7 (†)	1.8	105	108	72	107	6.5
Gulf, Mobile & Northern	6 (C)	1.6	No	109	16	109	5.5
Wabash "A"	5 (N)	....	110	78	19	101	5.0
PUBLIC UTILITIES							
Electric Power & Light	7 (C)	1.7	110	99	89	104	6.7
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	T97	T80	102	6.9
Consolidated Cigar	7 (C)	4.4	110	107	47	101	6.9
Goodyear Tire & Rubber	7 (C)	1.7	S110	F114	F35	113	6.2
International Paper	7 (C)	1.6	115	T100	T86	99	7.1
Mid-Continent Petroleum	7 (C)	8.1	120	109	80	101	6.9
Orpheum Circuit Conv.	8 (C)	3.0	110	107	84	108	7.4
Radio Corp. of America	3.5 (C)	F3.6	55	F54	F40	51	6.9
United States Rubber	8 (N)	....	No	109	66	89	9.0
U. S. Smelt., Ref. & Mng.	3.5 (C)	1.2	No	50	38	49	7.1
Universal Pictures 1st	8 (C)	7.6	110	T103	T90	100	8.0

† Cumulative up to 5%. F—Four years. H—Three years. T—Two years. S—One year. N—Price range 1926. § 1922-1926.

The New Age of Chivalry

POETS say that chivalry blossomed in the days of King Arthur and his brave knights; that the flower turns wan and faded in this modern age of subways and skyscrapers. Twenty story apartment buildings do not furnish as much of a romantic background as ivy covered castles with their shining moats and creaking drawbridges.

But does all this mean that the age of chivalry is over? One must concede that chivalry implies practical protection; sincere regard for the welfare and happiness of those we love and cherish. It is perhaps a quality that can be weighed by modern standards as well as by romance and the inspired notions of the poets.

One of the greatest and noblest of our modern institutions is Life Insurance. Dedicated solely to the protection and ultimate welfare of one's dependents and loved ones it epitomizes unselfishness. The many millions in all walks of life from the lowest to the highest who turn to this practical medium of safeguarding the future welfare of others are a fine expression of the real spirit of chivalry in this modern age.

In the United States at present there is about *eighty billion dollars worth of life insurance* in force. The single motive behind this tremendous national asset is the thoroughly unselfish desire of fathers to assure their children's welfare after death and of husbands to protect their wives. Policyholders spend more than *two billion, two hundred million dollars annually* to obtain this protection for their loved ones and, in hundreds of thousands of individual cases, the few hundred dollars paid for this assurance of the future welfare of others represents a considerable sacrifice.

Savings bank deposits, where again the motive behind the savings is most frequently to create a material reserve to protect the family or to assure old age comforts for husband and wife, have also grown tremendously during the past decade and now represent the huge total of around *twenty-five billion dollars*. And building and loan deposits, a medium of thrift and a common fund to aid the home builders of the nation, total *five billions*.

Are these billions merely empty money values with no other significance? No! They make possible the education of children; the erection of new homes to cement the ties of love and parenthood; they protect the widows and orphans from poverty and suffering; they represent a real and practical regard for the welfare of others. In this material age, this is the material expression of a noble spirit. The age of chivalry is not ended.

Joint Management Brings Best Budgeting Results

A financial plan, based on an equitable division of the responsibility for various budget items between husband and wife. Ample flexibility is provided by balancing the accounts each month and using the surpluses in some items to pay off deficits in others.

By C. E. HARWOOD

MOST of us have to face the problem of accumulation before we can invest. In fact, it has seemed to me that saving, preliminary to investment, is the most difficult step in achieving financial independence. I base this statement on the remarks of friends who lament their inability to get free of debt, and save enough to begin investing. Having been married five years, during which we have managed a budget successfully, we think our plan is unusually good and has some interesting features.

Knowing, as everyone does, that the handling of family funds is frequently a source of much trouble, we determined to find a way around such difficulties. Marriage is a partnership, and in this day and age an equal one. Therefore, the wife should have an equal voice with the husband in family finances.

Running a home is essentially a mutual affair. Both must be liable for financial difficulties, and must feel equally responsible for management. A wife does not earn one-fourth, or one-half, or any other fraction of her husband's pay, but has an equal right in the management of all of it.

Having reached the foregoing conclusions, the problem was to fit our financial plan to those principles. The first step, taken in fact a few days before we were married, was to establish a joint checking account for the family income. As soon as we had settled in our home we started a budget.

Now there are budgets, and budgets. That is to say, the word means one thing to some people, and something entirely different to others. I have met men who thought that running a budget means jotting down expenses and, at the end of the month, balancing accounts to see what they have saved, or owe. Some think that budgeting is estimating their costs for a month, and then trying to live within the estimate. To others I have talked with on the subject, budgeting is dry and impractical. Our system has a vital difference that makes it very interesting and intensely practical.

Each month our income is divided according to our plan, and credited to the respective parts of the budget. The various items are more or less fixed for all homes. We split our funds for food, household, wife's clothes, my clothes, children's clothes, insurance, auto, miscellaneous and savings. These may be varied of course, and made more detailed if desired. Each section receives the same allowance each month. All expenditures are recorded from day to day, as they occur.

Now we come to the distinctive feature. At the end of the month each column is balanced separately, and carried forward to the corresponding item of the next budget. This is done whether the balance happens to be plus or minus. As a result, abnormal expenditures, say for food, do not come out of savings, but carry over as a charge against the next month. Sometimes we help out a minus column by declaring a dividend from some part of the budget that has a surplus.

The clothes sections are left to the management of the one concerned, and are not helped out except for extraordinary reasons. In deciding on the disposition of surplus from food and household, the final say rests with the housewife. In relation to auto and insurance surplus my vote decides. Half the savings are managed by one and half by the other with mutual help.

The results of our budgeteering have been excellent. First, we have both felt equally responsible for family finances. Second, we look forward eagerly to the end of the month and the new budget, hoping to record progress. Third, when tempted to buy something that has struck our fancy, the knowledge that it will be on the budget for keeps, makes us consider its real value. Consequently, we have more of the really desirable things than others in like circumstances. Fourth, financial progress becomes an interesting sport, rather than a fight in the dark. No matter how badly hit one or two columns are, some are sure to have a good surplus to cheer us up. Finally, we have avoided even a hint of a money squabble. This alone repays all the trouble some profess to see in the budget.

Ours, it seems to us, has been the ideal system and no other practical, everyday thing could have had such a great influence on our happiness.

CAREFUL household management and a good system of handling finances are essential for consistent saving. The experiences of readers in the systematic management of their affairs are always welcomed by the BYFI Editor for the practical aid their publication may prove to be to others. Such articles should be written briefly and concisely, with as much accompanying data as is necessary to make the plan useful to other readers.

Hand in Hand on the Up-Hill Road to Financial Independence

The Investment Achievements of Two Young People Who Started from Scratch

as told by
"JOHN and MARY"

"NINETY-FIVE per cent of all persons beyond sixty-five years of age are dependents."

This statement, in a magazine article, was the spur which urged on to greater endeavor, a young couple who will be designated as John and Mary.

The purpose of this article is to present their problem—their plan for solving it—their successes and failures—some of the lessons they have learned—and the results—after six years of striving.

John was the son of a mid-western market gardener in extremely moderate circumstances. At the age of twenty-two, his parents having died, he went to Colorado with a few hundred dollars and incipient tuberculosis. His education was of the little red schoolhouse variety and ended somewhere between the eighth and tenth grades. His few dollars were spent in the quest for health. This being partly restored, he worked on ranches, in logging camps, on surveying crews and construction gangs as a common laborer, finally entering the United States Forest Service—first, as fire guard, and later, as forest ranger.

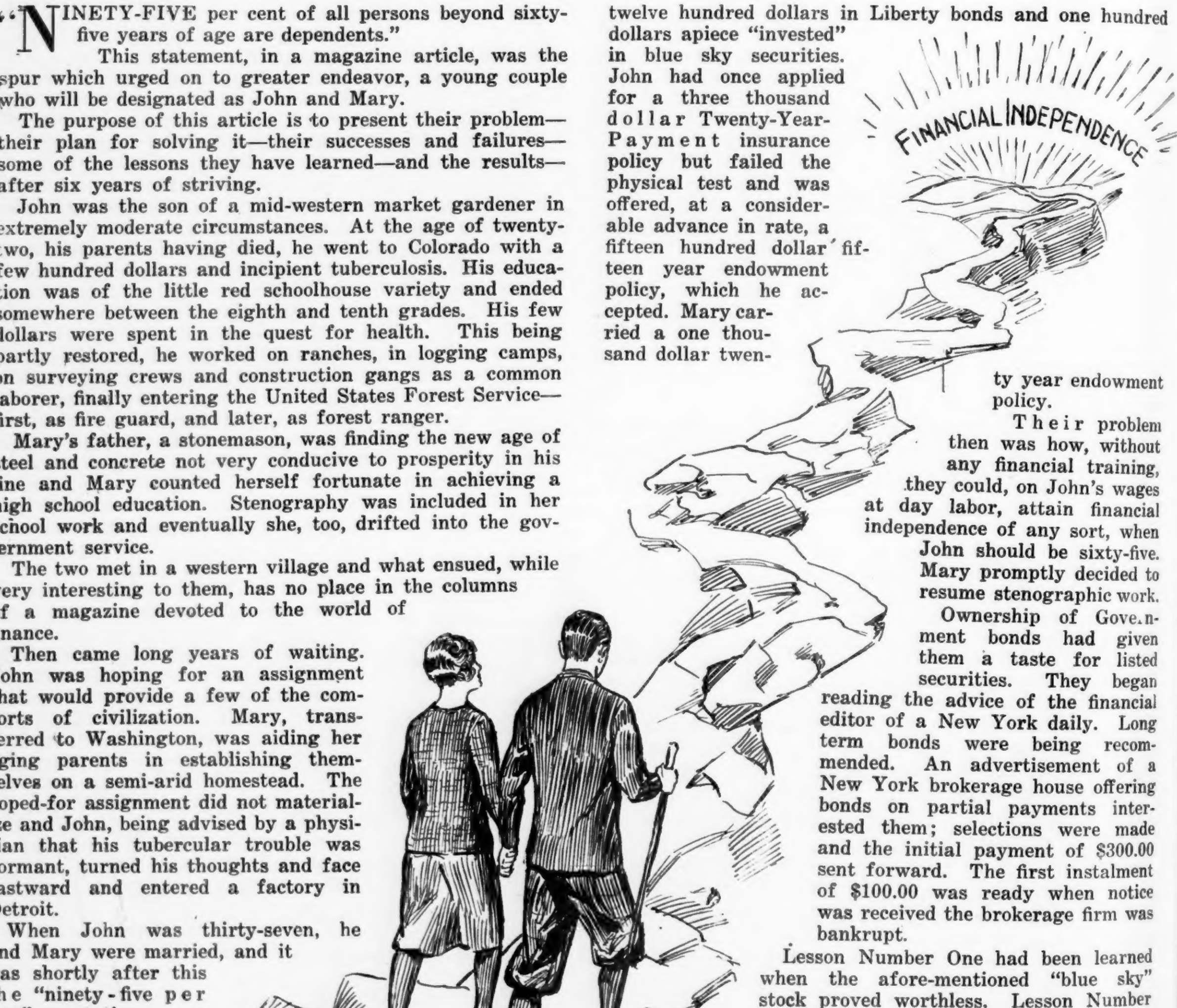
Mary's father, a stonemason, was finding the new age of steel and concrete not very conducive to prosperity in his line and Mary counted herself fortunate in achieving a high school education. Stenography was included in her school work and eventually she, too, drifted into the government service.

The two met in a western village and what ensued, while very interesting to them, has no place in the columns of a magazine devoted to the world of finance.

Then came long years of waiting. John was hoping for an assignment that would provide a few of the comforts of civilization. Mary, transferred to Washington, was aiding her aging parents in establishing themselves on a semi-arid homestead. The hoped-for assignment did not materialize and John, being advised by a physician that his tubercular trouble was dormant, turned his thoughts and face eastward and entered a factory in Detroit.

When John was thirty-seven, he and Mary were married, and it was shortly after this the "ninety-five per cent" quotation came to their attention. It struck home.

Their assets consisted of twelve hundred dollars in Liberty bonds and one hundred dollars apiece "invested" in blue sky securities. John had once applied for a three thousand dollar Twenty-Year-Payment insurance policy but failed the physical test and was offered, at a considerable advance in rate, a fifteen hundred dollar fifteen year endowment policy, which he accepted. Mary carried a one thousand dollar twenty year endowment policy.



Their problem then was how, without any financial training, they could, on John's wages at day labor, attain financial independence of any sort, when John should be sixty-five. Mary promptly decided to resume stenographic work.

Ownership of Government bonds had given them a taste for listed securities. They began reading the advice of the financial editor of a New York daily. Long term bonds were being recommended. An advertisement of a New York brokerage house offering bonds on partial payments interested them; selections were made and the initial payment of $300.00 sent forward. The first instalment of $100.00 was ready when notice was received the brokerage firm was bankrupt.

Lesson Number One had been learned when the afore-mentioned "blue sky" stock proved worthless. Lesson Number Two—"Investigate your broker before you invest," was added to their little store of financial information. Eventually about sixty per cent of the initial payment on this venture was recovered.

John's work had to do with shipping. Box cars had to be cleaned before loading, and one day, John found, in one of the cars, a back number of a magazine which—though dirty and tattered—looked interesting. He carried it home and he and Mary decided it was just what they needed to guide them in building their future income. That was five years ago and THE MAGAZINE OF WALL

STREET has been a regular bi-weekly caller to their home, either via newsstand or mail, ever since.

Bonds were their only purchases at first; then investment stocks—both preferred and common—began to interest them. A broker recommended by their banker gave entire satisfaction. They planned to get all the information obtainable on a number of securities, select the one appearing the best for investment and profit, and when the price looked right—buy.

This method of financing their future has been followed up to the present time. They do not hesitate to buy on fifty per cent margin, or to borrow from a bank if the price looks right and current savings are not sufficient for their usual ten or twenty-share lot purchases. They have never gone in debt to the extent of more than 20% of their holdings.

They have found that if securities having genuine investment merit are bought on a quiet market, for income, profits usually come in the course of time.

Mistakes have been made—plenty of them. In the fall of 1923, they became panicky and sold all their commons at a paper loss of over $1,000 and then saw them all recover their former market prices. Again, they once broke the rule of diversification by buying the common and preferred of the same company and took a loss of thirty points on the common and twenty on the preferred. The latter was switched into another preferred (on the recommendation of The Magazine) and the loss recovered.

When John's employer, a small automobile company, went down in the overwhelming tide of competition in 1924, John, on the advice of a friend of good moral and financial standing, backed the friend's friend in a business venture in which he was to have a financial and working interest. Through mismanagement and city politics (the friend was of the wrong faith) the venture failed and John and Mary charged off $2,000 to business experience.

Another lesson had been learned, that is, free advice is worse than none; also they think they know what Kipling meant when he said, "If neither foe nor *loving friend* can hurt you." The circumstance of this venture lead eventually to a job paying $70.00 per month more than the last one, so in time, with good breaks, the loss was recovered.

John and Mary have arrived at some conclusions as a result of their experiences.

Owning a home, they say, is like owning a security—it must be good and it must be marketable. Such a home in their city would cost $10,000, at the least, if they built it themselves—more if bought ready-built. Interest on this amount with heat, fuel, repairs, taxes, depreciation, etc., would be more than the $840 a year rent they pay with everything but lights and furniture included. So the home must wait.

Their six years' experience in saving and investing has been a liberal education. In order to invest intelligently, they have had to study business, financial, social and political conditions, not only of their own land but of the world.

Nor has it all been scrimping and saving. They have seen Broadway and the Rocky Mountains. They have heard grand opera and have seen good shows. A small collection of good books is added to yearly and their few pieces of furniture are of the sort one would rather stay home with of evenings than to step out.

Today, they own outright good securities having a market value of $8,000. They have a $500 equity in a residence lot which is worth more than the purchase price. John's $1,500 endowment policy will mature in 1928. Income from Mary's salary, John's wages (he is a foreman now) and investments, total $410 per month. Of this, $200 goes into savings.

Mary helps her parents who are still on the western ranch, to the extent of $15 per month.

John is forty-three years old. Seven good years of the fatal forties still left. If things go wrong with his job—well, he knows truck gardening, and $8,000 and that insurance money, wouldn't be a bad starter. If things go reasonably well, they should be able to say farewell to the ninety-five per centers before he's sixty-five.

The story of John and Mary has no moral, except that possibly their experiences might be a valuable guide to thousands of intelligent young couples who find themselves groping along the way to Financial Independence. The only thing unusual about their methods of making material headway in life was the unusual amount of common sense employed. They saved without being miserly. They learned the A B Cs of investment before and not after placing large amounts of their savings in securities. They avoided the more obvious mistakes by taking advantage of the judgment and counsel of those better qualified than themselves. And thus, year after year, they built the structure that will provide material comforts for their later years.

The Glory of the Commonplace

(Reprinted from a 1924 Issue)

About Forty Years Ago
Two Perfectly Normal Young People
Started Out Living
The Boy Was Not a Genius
The Girl Was Not a Ravishing Beauty
They Were, Both of Them,
Just Healthy, Wide-Awake, Up-and-Doing
Kids.

Of Course, They Got Married

There Wasn't Anything Unusual
About Their Married Life.
The Girl Did Just What Any Other American Girl
Might—Or Has to Do:
She Washed Dishes, Swept Floors, Dusted Furniture,
Fought the Grocer, Gossipped Now and Then
* * * * And Had Babies * * * *
If She Was in Any Way Remarkable
It was in Saving a Little Money Every Month.

The Boy Was Just as Commonplace
In His Way * * * *
He Kept Plugging at a Plugger's Job.
He Kicked About the Dinner Now and Then
Bought a Car Before He Could Afford One
And Sold It Two Months Later.
Called His Boss a Slave-Driver Before His Wife
And Then Made Her Ask the Boss to Dinner.
* * * * The Only Thing About Him That Was Odd—
And at That, It Wasn't So Very Odd,
Was a Hobby He Cultivated of Studying the Bond Market
And Buying One or Two Bonds of the Sensible Kind
Every Now and Then. * * * *

Evenings, Nowadays, They Spend a Good Deal of Time
Looking Back. And Mostly at the Time
When They Had to Do Without
To Insure What They Wanted Later On. * * * *
They've Still Got That First Bankbook.
The Receipt for the First Bond They Ever Bought
Is in a Gilt Frame, and Hangs on the Wall
In a Room Upstairs * * * *
* * * The Grown-Up Boy Likes His Work Too Much
To Retire; and the Grown-Up Girl
Although She's Sometimes just a Little Lonely
What With Her Children Gone, Likes "Him" Too Much
To Ask Him to Retire * * * * *
They Haven't Got a Million Dollars, But They've Got
Enough.
And They Attribute Their Income to That First Bankbook
And That First Bond.

And I Don't Know Why I Tell This Story
Unless It's Out of a Sort of Veneration for
The Glory of the Commonplace.
* * * * I Thank You.

Apologies to K. C. B.

Why Government Insurance is Cheaper Than Company Rates

War Veteran Wants "to Be Shown" Advantages—Other Inquiries Answered

By FLORENCE PROVOST CLARENDON

Insurance Editor:

As a subscriber to THE MAGAZINE OF WALL STREET, *I wish to take advantage of its Insurance Department and present a small personal problem for solution.*

The question of whether as a world war veteran I should take advantage of the Government's offer of reinstatement, has me guessing.

On comparing the Government's premium rates with those of other Insurance Companies I fail to see that the Government insurance is the cheapest. At my age of thirty-one years, a thirty-year payment policy costs $20.44 per thousand; about the same rate as the Metropolitan Life. Why the big favor from the Government when we all know the insurance companies are "cleaning up" at their present premium rates, based on an American Experience Table of Mortality, of ancient vintage?

Any information in general about Government Insurance rates will be appreciated. Thanking you in advance, I ask to remain

Yours truly,
H. B. A.

With reference to your letter, asking about the advisability of accepting the Government offer of reinstatement, our recommendation would be that you should accept that offer, and effect as large an amount of insurance as possible on the ordinary life plan.

You quote the Metropolitan Life Insurance Company's rate as being nearly as low as that of the Government rate. If you examine this matter more carefully you will find that there is a very considerable difference in favor of the Government figure—not only so; but the Metropolitan has recently been publicly advertising its recommendation to veterans to accept the War Risk Insurance. Moreover, the Government insurance gives a valuable disability benefit without extra charge, while all life insurance companies make an extra charge for this benefit.

Still further, the Government insurance is on a *participating* basis, and the entire overhead expenses of running the Bureau of War Risk Insurance is borne by the taxpayers; there is no charge for such overhead expense against the premiums, as is essential in the case of any life insurance company. The strong probabilities, therefore, are that in addition to having a perfect security, namely, the Government Guarantee, you have an exceedingly low premium rate, and the likelihood of substantial dividends to further minimize the cost.

Although the American Experience Table is used by life insurance companies for valuation purposes, the returns to policyholders are not based upon that table but are the results of individual experience. Mutual companies return all earnings on their business to their policyholders after deducting only a normal overhead expense, whereas the non-participating companies only use the American Experience Table for valuation purposes (a legal necessity) while for premium calculations and the charges they make to policyholders they use a modern mortality experience.

We are entering into this question with a little more care than usual, because we can see from your letter that you have a sound knowledge of the business of life insurance and of its fundamental principles.

Deferred Annuity Best Plan

Insurance Editor:

I am interested in your Annuity articles. I am single and my next birthday will be 54 years of age. I have about $4,000 cash at the present time and, I am willing to take out policy for about $10,000. I have no one to leave this principal to after my death, and of course I feel that, by

BYFI Makes a Suggestion

to the Inexperienced Investor

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings bank accounts are recommended for deposits of regular savings, to yield..........	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953......	105	5.15%

THE NEXT $1,000

*Commonwealth Power 6s, 1947	105	5.55%
‡*Montreal Tramway gen. & ref. 5s, 1955........	96	5.25%
†N. Y. Steam Corp. 6s, 1947..................	107	5.40%
†Western Pacific 1st 5s, 1946..................	99	5.10%

* Available in $100 units. † Available in $500 units.

‡ New recommendation.

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952......................	96	5.30%
American Sugar Ref. 6s, 1937..................	105	5.40%
U. S. Rubber 1st 5s, 1947......................	92	5.70%
West Penn Electric $7 Pfd.	109	6.45%
U. S. Smelting & Ref. $3½ Pfd.*................	49	7.05%
American Water Works & El. $7 Pfd............	111	6.30%

THE NEXT $5,000 (a)

Seaboard Air Line 1st.Cons. 6s, 1945............	95	6.45%
Nassau Electric 4s, 1951......................	59	7.75%
Western Maryland 1st 4s, 1952..................	82	5.30%
Brooklyn-Man. Tr. $6 Pfd......................	86	6.95%
International Paper $7 Pfd....................	99	7.05%
American Tel. & Tel. common ($9.)............	164	5.50%

(a) This group is selected with a view toward probable enhancement in principal.

* Recommended to hold at present.

this arrangement, with the insurance company holding all the principal after my death, I would be given a reasonable rate. Would thank you, please for information.

D. H. F.

We note that you are only 54 years of age, and this is a somewhat young age to consider the question of retiring.

The purchase of an annuity would secure $81.00 or thereby for each $1,000 of purchase price; or, on a semi-annual basis, about $40.00 each half year. In other words you get about 8% interest on your money, with the very best security and the certainty that the income will be paid during all of your life.

Another plan for effecting a somewhat similar purpose, would be for you to purchase a *deferred* annuity which would become effective at age 65. Such purchase could be made either by single premium, or by annual payments over the next ten or eleven years.

To secure a pension of $10.00 per month (i. e.—$120.00 per year), commencing at age 65, the annual premium at age 54 would be about $73.00. If you want a provision that all premiums should be returned at death if before the age 65, the annual premiums would be about $87.00. At age 65, you would have the option of taking a cash payment of nearly $1,200.00 instead of taking the pension.

Annuity Rates at Younger Ages

Insurance Editor:

I read with great interest your very fine article on annuities in the May 21st issue, which presented a subject that has given my wife and myself something to think about in our financial preparations. Could you furnish me with a table on income per $1,000 from the age of 40 to 55 (beyond that the table with your article provided the figures) for male and female.

Very truly yours,

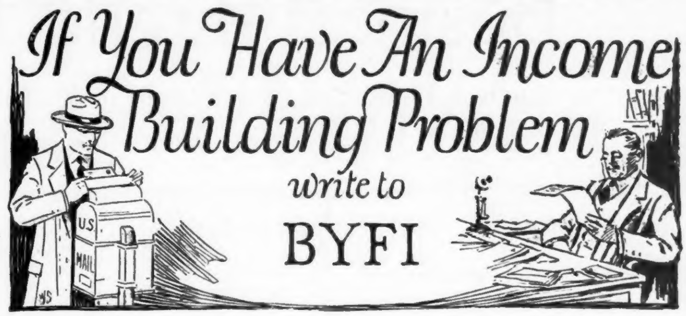
B. J. K.—New York

Annuities at the younger ages do not look so attractive to investors, because so many people have the impression that they can easily earn 6% interest on their money without giving up the principal. Our experience leads to a contrary view, and we know that, at the present time, it is hard to obtain a higher rate of interest than 4¾% *with the degree of safety that attends an investment with a first class life insurance company.*

The annuity rates at the younger ages are as follows:

	Annual Payments for Each $1,000	
Age	Male	Female
45......	$67.75	$61.48
48......	71.44	64.60
50......	74.33	67.00
52......	77.58	69.72
55......	83.26	74.42

You do not give your own age, family circumstances, or financial condition. Accordingly, it is a little hard to advise you if you are under age 50.



Dear BYFI:

I am an owner of several thousand dollars worth of Second Liberty Loan 4¼% bonds, which I understand have been called by the Government and, no doubt like many thousands of other small investors, I do not quite understand what is the best step for me to take with these bonds at the present time. Must they be converted for the new Treasury bonds which pay 3⅜% interest; are they called for cash, or do I have the option of taking either cash or the new bonds? In the latter case what had I better do? I purchased some of these, during the Liberty Loan drives and others later when they sold below the price I originally paid. I have been satisfied with the 4¼% return but 3⅜% seems pretty low, compared to savings bank rates and the return of good corporation bonds. Please advise me what to do and oblige yours, very truly.—S. P. L., New York City.

The Second Liberty Loan 4¼s (which you hold) and the Second 4s have been called for redemption November 15. The Government is offering a new Treasury bond which bears a coupon rate of 3⅜% and matures not earlier than 16 years and not later than 20 years at the option of the Government. These bonds are offered at 100½, but the Secretary of the Treasury has offered holders of the Second Liberty 4¼s and 4s the privilege of exchanging their bonds for the new bonds par for par, this conversion privilege, however, will have expired by the time this notice reaches you. After November 15 interest payments on your bonds ceases, therefore, they should be presented for payment at that time, or they can be sold in the open market for a slight premium over their par value. In the matter of redemption you have no choice and payment will be made in cash. For suitable reinvestment of this money, you can buy the new Government bonds, say with a portion of the fund, and obtain a yield of a little less than 3⅜% at the subscription price. For investment of the balance of the fund, select good corporate issues, such as those listed in the BYFI Recommendation Table and the Bond Buyers' Guide to yield from 5 to possibly 5½%. The average income from the reinvestment would be higher than the return you are now obtaining and, within the range of yields suggested, adequate safety can be obtained for all practical purposes.

Using Bonds as Collateral

Dear BYFI:

Please give me your unbiased opinion concerning a plan I have in mind for increasing mv income by using high grade bonds (mostly Liberties) which I now own outright to purchase semi-investment stocks for profit. My plan is to put these bonds up as collateral against the purchase of active Stock Exchange issues and without risking any cash, obtain an income from profits through buying and selling the stocks and at the same time get my 4 to 5% return from the bonds. I propose to buy, say two thousand dollars' worth of stocks for each thousand dollar bond. This seems to me to be conservative enough and should reduce risk to a minimum. Do you approve of this plan and if not what are its dangers or disadvantageous? Very truly yours—T. Van. H., Philadelphia.

The plan you outline is nothing more or less than the purchase of stocks on margin for speculative purchases. When you say "and without risking any cash," it occurs to us that perhaps you do not fully appreciate the real status of the transactions proposed. When bonds are put up as collateral against the purchase of other securities, it is just the same as putting up a certain amount of margin in cash; in fact, the bonds would not give your account as high marginal protection as an equal amount of cash. For example, if you buy two thousand dollars' worth of stock against the collateral value of a thousand dollar bond, your account in effect is "long" three thousand dollars' worth of securities with a debit balance of two thousand dollars. This is the equivalent of 30% margin. Keep your bonds for investment exclusively and if you can afford to risk capital for speculative profits, make your trading activities an entirely separate transaction.

Business Trend Irregular

Spotted Conditions in Leading Lines—Prices Show More Stability at Lower Levels—Profit Margins Somewhat Narrower

STEEL

Activity Declines

WITH the approach of customary summer dullness, the steel industry is beginning to reveal indications of mid-year irregularity. The amount of new orders being placed has decreased steadily. Although steel makers have not been materially affected, operations are being curtailed at all centers, and in view of the fact that the hot weather schedules have yet to be determined, it appears that operations will suffer still further. The average of the entire industry is down to about 75% capacity, with the Steel Corporation working at about 80%. It is, of course, reassuring to observe that production is still on a higher level than it was during the same period last year.

Much of the buying is for current needs, with very little forward business in evidence. Concessions are fre-

(Please turn to page 469)

COMMODITIES*
(See footnotes for Grades and Unit of Measure)

	1927 High	1927 Low	*Last
Steel (1)	$35.00	$33.00	$33.00
Pig Iron (2)	19.00	17.50	18.00
Copper (3)	0.13⅜	0.12½	0.12⅛
Petroleum (4)	1.90	1.03	1.13
Coal (5)	2.37	1.83	2.10
Cotton (6)	0.16⅞	0.12½	0.16⅞
Wheat (7)	1.58½	1.43½	1.58½
Corn (8)	1.16⅜	0.85¼	1.16¼
Hogs (9)	0.12¼	0.08⅞	0.08⅞
Steers (10)	0.11¾	0.10½	0.11¾
Coffee (11)	0.16¼	0.14¾	0.14¾
Rubber (12)	0.42⅜	0.36	0.36
Wool (13)	0.45	0.42½	0.43
Tobacco (14)	0.12	0.12	0.12
Sugar (15)	0.05⅛	0.04½	0.04½
Sugar (16)	0.06⅛	0.06	0.06
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18)	23.15	19.65	23.15

*June 18.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 33°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full, Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Independent operations reduced to 70% and less in some cases, with leading interest around 80%. Industry runs close to orders which are in sufficient volume to maintain operations at present plane. Prices more stable at current low levels. Second quarter profits will probably show decline of some proportions.

METALS—Buying of copper slackening with prices shaded. Copper now at about 12½ cents a pound. Industry suffers from slight over-production with curtailment not as much in evidence as anticipated earlier in year. Other metals quiet and unchanged.

RUBBER—The precipitate decline in rubber prices has evidently attracted considerable buying with the result that prices show more stability. Inventory position of large manufacturers impaired by lower prices as many of them still have large stocks of high-priced rubber on hand.

BUILDING—Actual construction about 15% off as compared with last year this time. Outlook is for fair rate of construction but 1926 record hardly likely to be duplicated.

COTTON—Recent trend irregular with bullish and bearish factors about evenly divided. Europe takings somewhat larger. Price prospects depend now entirely on weather conditions. Some observers believe 20-cent cotton probable owing to insect incursions.

SUGAR—Decline in prices to new low for year due principally to heavy imports by Europe from Java. Latter thought to be due in part to liquidation caused by important Japanese firm now in difficulties. Cuban prices now on parity with world and bottom probably has been seen.

RAILROADS—Earnings reports while satisfactory not quite up to those for the same period of 1926. Operating expenses hard to cut and gross volume of business not quite up to previous levels accounting for smaller net.

PUBLIC UTILITIES—General condition satisfactory. Electric light and power industry still making progress with exceptional results in artificial gas production and sales. Merger possibilities not yet exhausted. Tractions making slow progress to normalcy.

SUMMARY—More irregular note in business conditions with volume of trade still large but with lower prices a growing factor in smaller margin of profit. Summer outlook not especially favorable though no important decline is expected.

Mid-Year Review of Public Utilities

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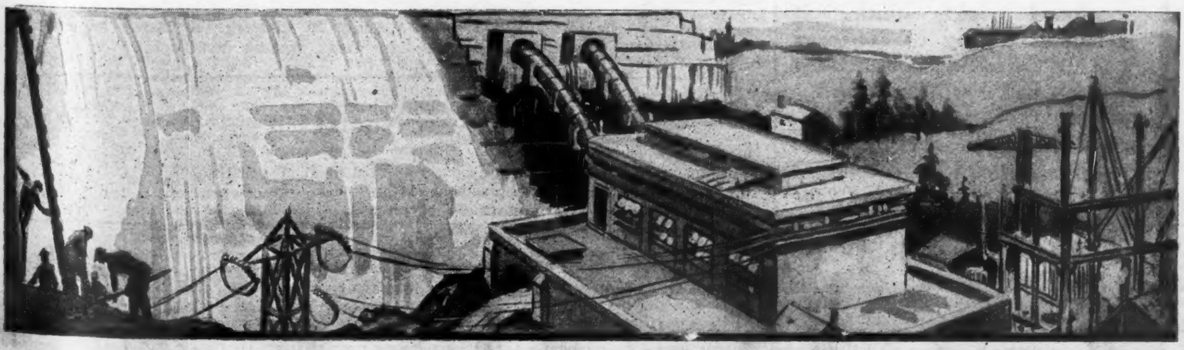


The Magazine of Wall Street's Questionnaire Addressed to Leading Public Utility Officials

QUESTIONS

1—Will customer ownership be more diffused, or will ease of marketing securities reduce its usefulness?

2—Do you expect debenture issues enjoying a distant maturity to be a larger factor of financing than mortgage issues?

3—Are open-end or closed-end issues more likely to obtain in the future?

4—Would it be advisable to list underlying company preferred stocks, or best to conserve present local concentration of ownership?

5—Could a more uniform accounting system be adopted, as with the rails? Or has each group of utilities too many diverse features?

6—Is the simplification of inter-company structure likely to go further or is the apparently more complex system indispensable to administration?

7—Would the reduction of bond yields make it good policy to increase the ratio of funded debt to total capitalization?

8—What are the present possibilities of increased rural consumption of electricity? Will stepping-down costs be reduced in the near future?

ANSWERS

Set No. I

1. While the present low rates for capital prevail (and this is likely to continue for some months) the amount of securities sold under the customer ownership plan will undoubtedly be reduced. Largely because Preferred Stock carrying 6 per cent dividends have been the most convenient avenue for financing through customers, and good bonds are now sold at less than a 6 per cent basis. The Customer ownership, however, is a permanent and fixed policy and will continue to be a very useful and economic method of financing and its usefulness can only temporarily be reduced.
2. Long Term Debenture obligations are quite likely to assume greater importance in financing during the current year than ever before. It is not probable, however, that the volume will exceed the mortgage issues.
3. Open-end issues with restrictions properly safeguarding the issuance of additional bonds will become more and more freely used.
4. It would seem advisable not to list underlying preferred stocks and have them subject to the fluctuations of markets. Local concentration of ownership, with stable market at all times, would be more desirable.
5. A more uniform system of accounting could and should be adopted.
6. The simplification of inter-company structure is bound to go further.
7. Within reasonable limits, yes, from the point of view of the Corporation, it is good business to increase the ratio of funded debt to total capitalization during the higher level bond prices.
8. The possibilities of increased rural consumption of electric energy are almost unlimited. Great progress has been made in reducing the cost of generating and distributing electric energy and still further lowering of costs can be expected, altho the rate of reduction can hardly be as rapid in the future as it has been.

Set No. II

1. Customer ownership will be more diffused in the future—in other words, will continue to grow steadily. There is a very definite and desirable place for it in utility financing, irrespective of the ease of marketing either senior or junior securities.
2. Yes; particularly with holding companies.
3. Open-end mortgage bond issues are more likely to obtain in the future.
4. The best interests of investors would be served by listing underlying company preferred stocks; these being the ones commonly distributed on the customer ownership plan. So far as possible such stocks should be kept out of speculative channels and local markets provided.
5. Substantial progress could be made in more uniform accounting systems for the utilities.
6. With continued mergers of utility companies, intercompany structures probably will appear more complicated for a while, but eventually the trend will run to simplification; in other words, it will take time to simplify corporate structures.
7. The reduction of bond yields will make it good policy to increase the ratio of funded debt to total capitalization over that now deemed most desirable, namely from 50 to 60 per cent.
8. The possibilities of increasing rural consumption of electricity steadily improve, due to the co-operative work being carried on by holding companies with extensive transmission systems, electrical associations, etc. I do not look for material reductions in the cost of distributing current, that is from a mechanical point of view.

The problem has to be solved by making it possible for the farmer to become an industrial or power customer rather than a lighting or strictly domestic customer. In other words, when farmers can group together and use quantities of electricity on an industrial basis, the cost of distribution is overcome and attractive rates can be offered. One of the biggest handicaps is the cost of electricity-using equipment which the farmer must have. Obviously a period of reasonable prosperity on the farms will assist materially in enabling the farmer to utilize electricity.

Set No. III

1. I think so.
2. Long term bonds and stocks should be used to finance utilities.
3. The nature of our business demands open end.
4. Should be listed to be desirable investment.
5. Should be as uniform as possible.
6. (No answer).
7. Should be equally divided between funded debt and stock.
8. Rural consumption is gradually increasing—Step down cost not likely to be reduced.

Set No. IV

1. This depends upon the policy of the particular company.
2. Debentures will be more important.
3. Open-end issues will undoubtedly be the rule.
4. Listing of any securities at present is of little or no advantage to the company or the holders.
5. The uniform accounting used by Public Utilities is fully as uniform as that of the rails, particularly by utilities using the same system, namely that used by National Electric Light and American Gas Associations. The accounting system used by rails only seems more simple because the people are more familiar with the set-up of rail system, that having undergone but little change in recent years.
6. The simplification of existing intercompany structures will undoubtedly go further but, as new properties are acquired and regroupings occur, further complications will necessarily have to be faced, which, in turn, will as time goes on be simplified.
7. Companies of unquestioned strength will undoubtedly find it desirable to increase the ratio of funded debt to total capitalization.
8. As rural communities become more prosperous there will be increased service of the rural companies. There are no particular results in sight which will reduce the step-down cost.

Set No. V

1. Customer ownership is steadily increasing and I see no reason why it should not continue in volume, even though rates for money are now so much less than they were a short time ago. In the past the stock sold by our associated companies, except for the American Gas and Electric Company group has been $7 stock, but we are now selling, and with very good success, $6 stock. It is necessary for every company to obtain a certain proportion of its capital through the sale of stock and there is no reason why this stock should not be sold in customer-ownership campaigns.
2. It has been one of the policies of Electric Bond and Share Company in arranging for the capital structures of its associated companies to issue a certain amount of debentures bearing a distant maturity, and this practice in all probability will be continued to some extent at least. However, now that $6 preferred stock can be sold, there seems to be less need for the sale of 6% debentures.
3. Open-end mortgages will continue to be used by the more progressive companies. The indentures used by our associated companies permit the issuance of bonds in series, each series to have its own dates of issuance and maturity, its own interest rate and its own redemption provisions. The old-time mortgage has long since gone out of use so far as this Company and its associated companies are concerned.
4. I can see no advantage to the listing of preferred stocks of the operating companies. These stocks are sold as an investment to people who intend to hold them and who do hold them. This results in very little of the stock ever coming into the market, but the stock that does come in is very quickly absorbed by dealers and by new investors.
5. A large proportion of the public utility companies now have a uniformed accounting system, which is generally followed. This system, which was approved by the Executive Committee and the Public Policy Committee of the National Electric Light Association, has been adopted by a majority of the state commissions. All of the companies associated with Electric Bond and Share Company follow this Standard Classification of Accounts.
6. It is probably necessary in many cases to have a complex intercompany structure, but the tendency, of course, is for simplification. If you will look at the corporate and financial structures of companies associated with Electric Bond and Share Company, you will find that they are now in very simple form, except for a relatively few companies not organized by us, which have not yet been put through the simplification process. Every company should do all that is possible to simplify its corporate and financial structure.
7. The ratio of funded debt to total capitalization should not be increased beyond a certain point, even though bond yields are low. In fact the ratio of funded debt cannot be greatly extended, as the issuance of bonds is always restricted. In the case of companies associated with Electric Bond and Share Company, no mortgage bonds can be issued for more than 80%, and in some cases for not more than 75%, of the actual cost of property, and cannot even be issued then unless earnings for the previous twelve months are at least twice the annual interest on all bonds outstanding, together with those proposed to be issued. As a matter of fact, the proportion of bonds to total capitalization will average less than 75% and the difference must be made up by the issuance of debentures and stock.
8. Extensions of transmission lines into rural communities are constantly taking place. Those of our associated companies having transmission systems serve large numbers of communities having populations so small as fifty people, or even less, and these communities get exactly the same good service as is enjoyed by consumers in the large cities. Furthermore many individual farm houses are being served and the extent of this service is steadily being increased. It cannot be expected that there will be any substantial decrease in the cost of this rural service until the transmission and distribution lines have on them a larger number of services. As you know, the greatest cost is in getting energy to the consumer, as the generating cost per kw.h. is very low. Every progressive electric power and light company operating in a rural territory is doing everything possible in getting service to the entire rural population.

Set No. VI

1. In our opinion customer ownership of capital stock of public utilities will be more diffused, regardless of the ease of marketing securities. Not only can Preferred stocks be sold to consumers and the public in general under the customer ownership plan at as low or lower cost of money as such securities could be sold in other ways, but the advantage of having the customers and the general public in the community in which the company operates interested in the company is so great as to make this plan of marketing securities preferable, even if the cost of money were higher under this plan.
2. In our opinion debenture issues will not be used to any great extent by public utilities. The object to be attained is to secure necessary new money for the extension of the company's property at the lowest interest rate, and it is our feeling that a proper proportion of bonds, Preferred stock, and Common stock approaching what might be termed an ideal ratio of 50% bonds, 30% Preferred stock, and 20% Common stock, will produce the new money at the lowest cost. If debentures were used, we believe they would only be used in substitution for Preferred stock, and under our customer ownership plan would be offered to customers and the public locally, and for this purpose we do not regard debentures as being as good as the Preferred stock.
3. On account of the fact that public utilities are continually expanding at such a rapid rate, we believe, that open-end issues are more likely to obtain. Where a company is financing under a mortgage that is limited to a certain amount, it is surprising how soon this limit is reached, and it becomes necessary to make a new mortgage. The new mortgage then becomes a second or third lien on the property, and bonds issued under it are necessarily less attractive than first mortgage bonds. With the open-end mortgage the amount of bonds issued under the one mortgage can be continually increased, keeping pace with the growth of the company, and the new bonds of the company to be issued from time to time will rank equally with all of the company's outstanding bonds. While underlying bonds are attractive to investors, they are of no advantage to the company issuing them, for the reason that a company could not issue underlying bonds after an overlying issue had been put out.
4. We believe the latter is preferable.
5. A great deal has already been done toward uniformity in accounting of public utilities, and provided the regulatory commissions of the different states could agree on a uniform accounting system, we see no reason why such uniform accounting system could not be adopted.
6. This question refers more particularly to holding companies, but it is our opinion that the tendency is toward simplification and that intercompany structures are more likely to become more simplified than otherwise.
7. The ratio of funded debt to total capitalization should be fixed at the point where the total cost of money to the company from all sources is the lowest. Bond money is, of course, the cheapest money that a company can get, and the reduction of bond yields would of course make it good policy to get as large a proportion of funds from this source as possible up to the point where the ratio of funded debt to total capitalization would tend to raise the cost of bond money to such an extent that the combined cost of moneys from all sources would be increased.
8. The use of electricity in rural communities in California, we believe, is different from any other section of the country. In this territory the principal use of electricity in the farming communities is for pumping water for irrigation. This gives a substantial basic load of sufficient size to justify the extension of the company's lines into these farming communities. With this as the basis, the use of electricity is then extended to refrigerating plants, milking machines, milk sterilizers, electric ranges, water heaters, and other appliances, as well as lighting. Without the irrigation load, the company would perhaps not be justified in extending its lines for these latter classes of use only. On account of these facts, we feel that in our territory there are vast possibilities for increasing the rural consumption of electricity. With regard to "stepping down" costs, such costs are not especially important in this territory on account of the size of the installations. However, to answer the question, we do not believe "stepping-down" costs will be reduced in the near future.

Set No. VII

1. Yes. Customer ownership will become more diffused, due primarily to the good will element and the privilege of

(Please turn to next page)

the utility to establish a close contact with their customers. Also for the additional reason that each stockholder is estimated to influence at least five votes and will arise to the defense of their company against radical agitation for state or national ownership. The marketing of junior securities through ordinary investment channels does not bring about the desired results.

2. No. Debenture issues having distant maturity are not looked upon with favor by shrewd investors and while ofttimes secure, can by no means become as much of a factor as the present open-end mortgage issues.

3. Open-End. The open-end mortgage allows a flexibility of capital structure not enjoyed by the closed-end issues and are increasing in popularity.

4. Conserve local ownership. The listing of junior securities has a tendency to defeat the customer ownership plan and in practically every instance, the securities enjoy a ready market in the locality served and are sold for investment purposes. This avoids wide fluctuation.

5. Yes. The classification adopted by the National Electric Light Association as A B & C are not sufficiently simple for the smaller operating companies as a condition can maintain where a man's time in a one-man plant would have to be distributed into twenty-two separate accounts. Much of the segregation now demanded is considered unnecessary and makes accounting costs excessive.

6. Simplification. The more complex system should be dispensed with and simplification should and will take its place, due to the natural law of the elimination of the unnecessary.

7. Yes. There is no reason why the reduction in bond yields should not make it advisable to increase the ratio of funded debts to total capitalization.

8. Good. No. The possibilities for increasing rural consumption of electricity are unquestionably good but will not be due to a material decrease in the stepping down costs in the near future.

Set No. VIII

1. Customer ownership originated with this Company (Pac. Gas & Elect.) and in our 18 years' experience with it we have found it an unfailing means, almost regardless of general financing conditions, of accomplishing that most difficult part of financing, namely, equity financing. In my judgment, it has achieved a permanent position of usefulness and will be continued by public utilities as their chief source of equity financing. It will, undoubtedly, fluctuate in volume and it is quite possible that utilities, in the present easy conditions in the money market, may choose to bring down the average cost of their capital by doing a larger proportion of their financing by means of bonds or debentures.

2. On the basis of the large equities which public utilities have created within recent years, largely through the adoption of customer ownership, the time would seem opportune for a reasonable amount of financing by means of long term debentures which the stronger companies ought to be able to issue on terms that will but slightly increase the cost of money as compared with secured obligations.

3. Open-end mortgages.

4. The local ownership of the stocks of operating utilities is desirable. Listing of such stocks on local exchanges is something that is due to the holders, but listing on exchanges far away from home is rather immaterial.

5. In California, we have uniform systems of accounting as prescribed by the Railroad Commission. So have other states, I believe, but national uniformity has not been achieved. It would be desirable and a good deal of effort to that end has been put forth by the National Electric Light Association, the National Association of Public Utility Commissioners and the Federal Power Commission. Uniformity along broad lines would seem feasible for all groups of utilities.

6. Simple financial structure and the absence of complicated intercompany relationships facilitates administration and is also an asset in dealing with investors and the public generally. My observation has been that they are suspicious of puzzles and possible rat-holes.

7. Yes, so long as the funded debt is kept at a conservative ratio, say, somewhere between 50 and 60 per cent.

8. In locations such as California, where irrigation and reclamation furnish a good base load for rural extensions, agricultural business is worth while and has been cultivated here to a greater extent than probably anywhere else. I wouldn't become over-enthusiastic about it under ordinary conditions unless the more congested areas can be made to carry the back country.

How Public Utility Company Organizations Have Developed

By W. E. LAGERQUIST

THE rapid growth of public utilities has been the most spectacular of all industrial developments in modern times, yet the average layman is hardly aware of the fact so quietly and effectively has this development taken place. The magnitude and growth of all utilities is evidenced in the amount of new capital requirements. In the amount of $7,500,000,000 already invested in the electric industry alone we have the proof of a well established industry—yet the requirements of an equivalent amount of new capital over the next ten years makes us aware that we are still dealing with a new industry as measured in terms of the life of other well established industries.

A well-known financier who twenty years ago stated that the saturation point in public utility development was near at hand would realize that such a statement would seem even a more unjustifiable one today than it was twenty years ago. Although a normal growth must eventually take place, with the new uses and the continued economies being installed to cheapen production there is every reason to believe that the present rate of growth must continue for some time to come.

Increase in Gross The electrical industry, which some of the pioneers still in active management assisted in establishing, absorbed, including the refunding issues, more than 25% of the new security issues in 1926. As noted in the following table the greatest increase has taken place since 1915. The gross income is now more than four times what it was in 1915.

	Capital Investment	Yearly Revenues	Generating Capacity Kilo-volt-amperes
1885.....	$ 5,000,000	$ 12,000,000	
1905.....	1,000,000,000	150,000,000	
1915.....	2,700,000,000	360,000,000	6,970,000
1925.....	7,500,000,000	1,500,000,000	24,343,793

While the population has increased approximately 40% in the last twenty years, kilowatt-hours generated increased for the same period from about 5,000,000,000 kilowatt hours to over 68,000,000,000 kilowatt hours in 1926. For a number of years the industry has increased at the rate of about 8% per annum. While the rate of growth of gross revenues for the country as a whole has been at a slower rate in periods of depression, gross revenues have shown an actual increase each year for the last twenty-five years.

Though the developments in other utilities other than the electric lighting have been somewhat less phenomenal, their growth outranks that of the great majority of other industries. Their greatest growth has also paralleled that of the electric industry. The per capita increase of gas consumption for example since 1911 has increased between 80% and 90% and the capital investment of the gas industry represents more than $4,000,000,000. The number of telephones per capita in 1925 was five times the number per capita in 1902 and the revenues increased for the same period from $100,000,000 to over $750,000,000.

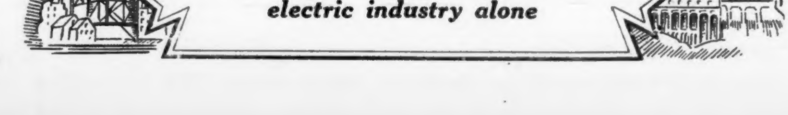
A Vital Question Where such a marvelous development has taken place and such huge investments are involved, the character of the organization through which this growth has been made possible is of first importance. The question at the same time arises as to whether the public utility industry can continue to grow under the same form of organization and secure the capital needed. Because of the great increase in the number of stockholders who will furnish an increasing amount of capital, this problem demands the most careful consideration.

As in the examination of any industry, it is necessary to ascertain first as to what are the economic factors upon which the industry is founded.

It has long been an accepted principle that if a public utility is to give the best service at the cheapest price it must be given an absolute monopoly in its particular kind of service in the locality in which it operates. The state, on the other hand, maintains that where this monopoly is granted it must have control of the rates to be charged and the character of the service rendered. In addition to these requirements which must be met, an adequate return as well as reasonable safety must be assured the investor to induce him to provide the capital for the enterprise. And any understanding of public utility problems is dependent upon the full appreciation of how these fundamental conditions affecting the industry determine its economic and financial organization.

Capital Available It should be incidentally stated that public utility companies in their development have never been confronted with the difficulties of the railroads. Not only has adequate capital been relatively easy to secure, but fully developed communities have existed throughout their development as potential markets. Railroads on the contrary had great difficulty in securing capital and instead of having markets awaiting them, they had first to offer their facilities in order that traffic in the surrounding territory could be developed. Until this traffic was developed the railroads had inadequate revenues and the majority of the roads eventually were forced into receivership. While the public utility must make large capital outlays in anticipation of future developments, the potential market already exists and the success of the project depends upon the ability of the management. Though the needs of normal growth for a period of years must also be provided for, these requirements can now be calculated quite accurately so that losses in this respect can be avoided by proper planning.

Up to the eighties, public utility operations were confined primarily to gas and private water companies supplying limited areas in the larger cities. These utilities, however, could not be termed utilities in the same strict sense as the public utilities of today because of their very limited use due to the prohibitive costs of their service. It was only when the competition from the use of oil and electricity came into existence that the gas companies were forced to perfect the technique of gas production to enable gas companies to fix rates which were within the



reach of the public at large. While the electric lighting industry soon outstripped the gas lighting companies, the subsequent development in gas company organization went hand in hand with that of electric lighting companies.

It was with these changes in the public utility industry that its modern development can really be said to have started. Public utility managers at this time, however, saw that with the large capital investment required as well as the necessity of a large volume of output in order to make the charges sufficiently attractive to the public, a complete monopoly in every locality was a necessity. On the other hand it was obvious that two major problems confronted them. First, what was the most economical method by which the newly acquired properties could be financed, and, secondly, what form of organization could be most economically administrated and operated. In the long run these economic conditions have always controlled whether we have willed or not.

With the solution of the local operating organization needed, it was almost immediately apparent that it would be even more economical if a group of public utility companies in a number of localities could be combined under the control of a single management. Out of this idea grew the modern public utility holding company, which still dominates the industry today.

The Holding Company

From all that we have heard about the holding company in the past six years, one would suspect that a new form of organization had been created. Quite the contrary is true, as is evidenced from a careful examination of the case. The developments of the past few years have only been a further refinement and enlargement of the type of organization used in the beginning. The important modifications of this development will be referred to later.

The forerunner of the public utility holding company was the predecessor of the present United Gas Improvement Company, organized in 1882. At first the company followed the practice of leasing a number of gas companies in widely scattered communities, but two years later, however, the management began to secure control of the stock of these same companies. As the Pennsylvania law prohibited one corporation from holding the stock of another corporation, the stock was at first deposited with a trustee. The next stage of this development came with the purchase of the old Union Company, possessing extremely broad powers, and the changing of its name to the United Gas Improvement Company, which in turn acquired the assets of the old company of the same name by an exchange of stock in 1888. With the final organization of this latter company, the modern public utility company was under way.

Along with the predominant and growing use of the holding company during this period, which has likewise continued up to today, direct consolidations were also made. This probably was more true of street railways than other utilities, partly due to the greater political chicanery of the times, which forced this type of merging. As a result many of the street railway consolidations were greatly over-capitalized and as a class they never have been able to overcome this handicap. Even in a number of reorganizations which followed, the scaling of this excessive capitalization was not adequate. With the difficulties resulting from inadequate rates and bus competition during the war period all are so familiar that no statement seems necessary.

The next company to adopt the holding company was The North American Company, under the leadership of Henry Villard, in 1890. Instead of acquiring a large number of single companies in different communities, The North American Company endeavored to secure control of all of the utilities in a community and operate them under a single administration. This company started its first combination of this character in the City of Milwaukee in the year of its organization. It subsequently acquired properties with controlling interests in St. Louis and Cleveland, and minority interests in Detroit and Washington properties, etc. It, as the former company, has been highly successful from its origin. The exchange of stock, as well as the outright purchase of the stock of operating companies, has been maintained through the history of this company.

It was not long after these two types of holding companies had developed that a combination of them naturally developed and the combination form is the dominant type today. In these three forms we have what can strictly be called the representation of the true public utility holding company today.

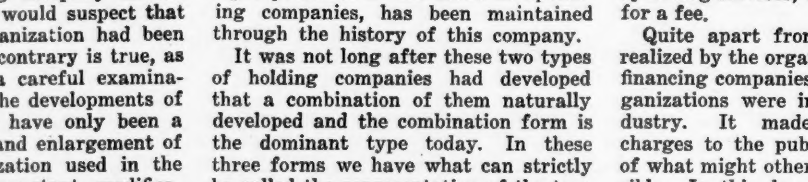
Managerial Service

The needs of a new industry, particularly because of the technical character and the large capital investment required, is expert guidance and financial assistance. As a result, engineering and management service and financial organizations were created. At first these were developed as independent organizations, but many of them eventually have become the controlling holding company. In their original conception, these organizations can not be called holding companies, as they often are, though they did play a very important part in the shaping up of the public utility organization.

One of the early difficulties which the electric light and power companies confronted and which was probably more responsible than any one thing for hastening the adoption of the holding company was the problem of marketing their securities. With an industry in the first stages of its development and the management of these companies unknown, they not only found difficulty in marketing their securities but were compelled to pay very high prices for capital. In the effort to meet these difficulties, the Thomson-Houston Electric Company, one of the predecessors of the General Electric Company, organized the United Electric Securities Company in 1890 to provide financing for the local operating companies. This form of organization, however, must in turn not be confused with the organization which has been more recently organized for the purpose of marketing the securities of the holding company and its subsidiaries.

In this development the United Electric Securities Company acquired the bonds of the local companies and deposited these bonds with a trustee and issued its own bonds. At a later date the same interests organized the Electric Bond & Share Company for making the common stock of local operating companies more attractive and at the same time enable them to secure their necessary equipment. This organization, which was controlled by General Electric Company interests, however, has never owned more than a minority interest in the stock of the companies which it assisted in financing. Later it also provided expert engineering and operating services, which were rendered for a fee.

Quite apart from the large profits realized by the organizers of these early financing companies, these financing organizations were invaluable to the industry. It made cheaper service charges to the public long in advance of what might otherwise have been possible. In this day, when the worth of an important public utility stock is taken as a matter of course, we have lost sight of the great strength which this movement gave to the industry. As a matter of fact, it is doubtful whether we have ever appreciated its significance. The industry, with the help of these organizations, grew so rapidly that the early weakness of the position of many of the local operating companies was not realized by the general public. It was indeed fortunate that such a large number of the gas, electric lighting and power companies came under the influence of such organizations as the Electric Bond & Share Company and its affiliated interest. These companies were saved the embarrassment which befell many of the independent street railway companies, but it is impossible to ever conjecture how much these organizations hastened the development of the utility industry.



As with all developments, there were a number of

imitators who attempted to create similar organizations, but their failure was inevitable. Unsound financing, over-capitalization, inexperienced management, unprofitable companies and the like, all contributed to this outcome.

The service organizations which were organized about the same time as the holding companies, as a rule, soon created affiliated financial and management organizations, which usually evolved into holding companies. The first of the service organizations in the electric power field was that of Stone & Webster. This firm began as designing engineers in 1889, but soon found it was necessary to enter the construction field. This was followed by the development of a supervisory and management organization and a financial advisory service. Stone & Webster, however, did not until recently make use of the holding company as a financial device to control their holdings. The transition of most organizations, entering either through management service or financial service organizations into holding companies, has usually been very much more rapid. The so-called service organizations have usually thus become adjunct organizations to the financial holding companies. Many of these organizations are now, in fact, a combination of holding and operating companies.

Among other important organizations which are known as finance or service companies controlling a large number of public utility properties are: H. M. Byllesby & Company, Hodenpyl-Hardy & Company, H. L. Doherty, W. S. Barstow Management Association, J. G. White & Company, A. E. Fitkin & Company. While these organizations have started with different approaches, the final shaping up of the control has been very much the same. While the degree of control, the character of service, and the eharges for services to subsidiaries vary a good deal, it does not seem necessary for the purposes in hand to elaborate on these detail differences.

In addition to the so-called Service Group, just mentioned, there are other large unit groups which are a combination of operating and holding company units. These interests either have a large number of adjacent properties which have been or are gradually being inter-connected. Others control a number of widely scattered properties. Into this class fall the North American interests already mentioned and such companies as the Insull interests, Public Service Company of New Jersey, the Duke Power Company, the Pacific Gas & Electric, etc.

A few companies, because of the size of the communities which they serve, have been able to economically operate as an independent unit without the overhead proving unwieldly. Among this group would be placed the New York Edison, The Brooklyn Edison, the Detroit Edison and Southern California Edison.

A number of very much smaller and weaker holding groups have been organized since the World War and are acquiring control of a number of small and widely scattered properties. With

(Please turn to page 452)

Major Public Utility Holding Companies

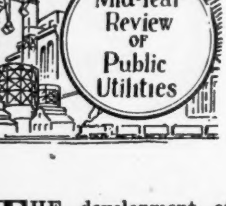
NOTE.—This list includes only the major holding companies and not the large operating companies such as Commonwealth Edison, Pacific Gas & Electric, etc. The data, unless otherwise indicated, is for the year ending December 31, 1926. The group below does not include pure investment companies. No par value stock is given in number of shares. The item representing the investments of the company appear either under the item of "Investments" or "Fixed Property." To either one of these items is added net working capital.

(All items in millions except Shares, No Par Value Stock and Amount Earned on Common Stock)

Name of Company	Fixed Property & Net W. C.	Investments & Net W. C.	Minority Stock Outstanding	Preferred Stock	Common Stock	Funded Debt	Gross Revenues	Approx. Amt. Per Share Common Stk.
American Gas & Electric Company		$111.20	Z	396,562 (S)	1,866,135 (S)	53.1a	$72.10	$8.12
American Power & Light Company	....	90.40	....	238,469 (S)	1,728,150 (S)	45.7b	59.40	4.62
American & Foreign Power Company	...	70.20	Z	480,368 (S)	1,243,988 (S)	(‡)	10.10	0.44
American Light & Traction Co. (Yr. ended Mar. 31, 1927)	....	86.90	Z	14.2 (a)	34.8 (a)	(‡)	35.50	18.44
Assoc. Gas & Electric Company (Yr. ended Feb. 28, 1927)	255.6	8.50	5.3	496,427 (S)	A & B (800,000) (S) Com. 1,231,154 (S)	210.7 (x)	29.20	0.46
American W. W. & Electric Company	277.3	....	65.8	14.0	12.9 ($20 Par)	168.7	45.30	5.47
American Telephone & Telegraph Company	....	1,796.00	....	......	1,064	385.1	823.20	10.99
Buffalo, Niagara & Eastern Power Company	179.5	6.70	27.1	48.7 (Par $25)	1,935,944 (S)	82.6	28.50	2.09
Cities Service Company	610.8	....	75.6	112.7	$80 ($20 Par)	277.8	140.30	4.00
Consolidated Gas of New York	651.9	....	0.9	15.0	3,600,000 (S)	200.3	153.70	9.43
Commonwealth Power Corporation	286.2	....	85.8	36.7	1,233,412 (S)	199.9 (b)	49.10	2.66
Columbia Gas & Electric	451.3	....	17.5	90.4	2,949,339 (S)	61.1	92.10	6.91
Continental Gas & Electric (indirectly controlled by Virginia Light & Power)	40.3	....	Z	17.7	178,648 (S)	26.6 (a)	26.60	10.31
Electric Power & Light	....	101.90	Z	562,851 (S)	1,774,574 (S)	(‡)	49.80	1.45
English Public Service Company	139.0	....	23.2	305,018 (S)	779,938 (S)	63.1 (b)	27.30	4.08
General Gas & Electric Company	156.1	....	32.6	145,992 (S)	529,756 (S)	83.0 (b)	24.30	Class A 5.59 Class B 2.64
Inter. Telephone & Telegraph Company	82.5	22.50	13.5	......	52.0	33.7 (b)	22.60	12.13
Lehigh Power Securities (Yr. ended Jan. 31, 1927)	Z	Z	Z	130,000 (S)	3,104,450	25.00 (o)	37.90	1.13
Middle West Utilities Company	....	105.0	Z	70.4 (a)	35. (a)	(‡)	86.30	7.85
Midland Utilities Company	99.6r	5.0	14.9	27.9	238,988 (S)	52.5 (x)	19.50	5.78
Mohawk Valley Company	....	10.2	Z	......	750,000 (S)	(‡)	11.60	2.38
National Electric Power Company	96.5	....	19.8	5.0	1,500,000 (S)	62.8	17.20	....
National Public Service Company	159.2	....	22.7	12.1	A & B 665,499 (S)	108.5	28.80	(A Stk.) 7.98
National Power & Light Company (Yr. ended Mar. 31, 1927)	....	58.6	Z	140,295	2,545,814 (S)	9.5 (a)	34.40	13.71
North American Company	598.8	40.3	9.8	30.3	41.9 (Par $10)	296.9	115.80	3.94
North American Light & Power	207.0	....	43.4	150,000 (S)	600,000 (S)	131.4	34.1	....
Pacific Gas & Electric Company	302.2	....	....	63.4 (Par $25)	52.8 (Par $25)	170.2	51.10	2.50
Public Service of New Jersey	504.8	2.3	92.2	59.1	3,577,275 (S)	240.3	106.30	2.45
Standard Gas & Electric Company	886.9	....	242.0	48.1	1,240,567 (S)	469.3 (x)	166.40	6.50
Southeastern Power & Light	410.3	....	48.8	550,535 (S)	2,117,088 (S)	193.9	37.30	....
United Light & Power	230.1	24.6	42.7	235,017 (S)	2,982,599 (S)	147.0 (b)	40.10	9.95
United Gas Improvement	....	139.2	24.7	......	101.7 (Par $50)	(‡)	11.00 (a)	4.58
Utilities Power & Light Company	108.2	....	18.8	8.7	609,779 (S)	49.6 (x)	14.80	....

x Includes Subsidiary Companies.
a Only of Holding Company.
b Includes Fixed Charges.
m Fixed Charges includes those of Subsidiaries.
‡ No Debt of Holding Company itself.
n Interest and dividends of Subsidiary Companies.
o All stock of company.
No par value only indicates book value at which stock is carried.
r Including Goodwill.
Z Full details not available.
S = Shares.

Economic Function of Management in Public Utility Holding Companies



By D. F. JORDAN
Associate Professor of Finance, N. Y. University

THE development of the holding company in the public utility field has differed materially from its application in other fields of industry. Whereas, in other lines, the holding company is solely the owner of securities which are being carried for purely investment purposes, in the public utility field many of the companies perform functions closely allied with the actual operation of the properties. In fact, a public utility holding company might more properly be considered as a holding company, a developing company, a supervisory company and a finance company, all at the same time. Not all holding companies perform these functions, but the present tendency is definitely in this direction.

Holding Company Growth

The extent to which the holding company has become a factor of large importance in the public utility field is indicated from the following compilation, showing the approximate gross revenues of the leading companies in 1926:

Electric Bond & Share Group..	$250,000,000
Standard Gas & Electric Co...	145,000,000
North American Company.....	115,000,000
Middle West Utilities Co.....	86,000,000
Commonwealth Power Company	45,000,000
United Light & Power Co.....	40,000,000

The statement probably holds true that more than half of the utility properties in the United States are now under holding company management.

An interesting difference is to be noted in the relationships of the various holding companies to their operating subsidiaries. The Electric Bond & Share Company, probably the most prominent company in this field, does not regard itself as a holding company, as shown in a recent official statement, viz:

"Electric Bond & Share Company, . . . acts in a supervisory capacity for a large number of power and light companies, and furnishes expert and financial assistance in connection with the financing, the business development and operation of these companies and the construction of their properties. It takes a financial interest in electric power and light companies, and buys, holds and sells securities issued on such properties. The company supplies the necessary capital and manages consolidations and reorganizations of properties of the above-mentioned character. Electric Bond & Share Company is not a holding company. It owns various amounts of stock of certain companies associated with it, but controls only the American & Foreign Power Company, Inc., all of whose activities are in foreign countries. For the service rendered to its clients, the company charges stipulated fees. In connection with this work, the company maintains departments which are expert in the handling of all phases of the public utility business, including those of operating, financing, engineering, accounting, auditing, legal, rate, public relations, statistical and commercial. The supervisory arrangements do not in any way interfere with the local and individual management of the operating companies. The individual operating companies in the United States have local boards of directors and under their guidance are operated directly by residents of the respective territories served who are in direct contact with all the immediate local problems. These local managements, however, under the supervisory agreements, have the assistance of the financial and technical staffs of the Electric Bond & Share Company."

Quite a different position is taken by the Engineers Public Service Company, which has been formed under Stone & Webster supervision, as expressed in the Annual Report for 1926:

"Your company is a public utility holding company. Its purposes are twofold: First, as to the public served, to improve and develop the service in the territories occupied by its subsidiaries; and second, as to the investing public, to offer the opportunity, through purchase of its securities, to participate in an investment, which, through diversification, has greater stability than the same investment in a single property. Common control through a holding company makes possible the raising of new capital in adequate amounts when needed for the development of the public service, and, through breadth of view and experience, makes for sound engineering and economical operation, and the bringing of good service to many communities which without the holding company's backing would have inferior service. The earnings of Engineers' Public Service Company proper are derived solely from dividends on stocks owned and from incidental interest on its surplus funds."

A similar position to the one mentioned in the above extract of the Engineers Public Service Co. report is taken by the American Water Works and Electric Company in the following extract from its Manual for 1925:

"American Water Works & Electric Company, Incorporated, is a holding company which owns and manages the operation of an extensive group of electric and water works, public utilities in various parts of the United States. Most of these properties have been grouped for general management and control for a great many years. The parent company maintains a staff of experienced engineers, statisticians, accountants, financiers and managers to assist in the operation of its subsidiary properties. By means of this organization a quality of service is assured to each subsidiary, large and small, of a character and at a cost which could not be secured except through group operation."

A Different Type

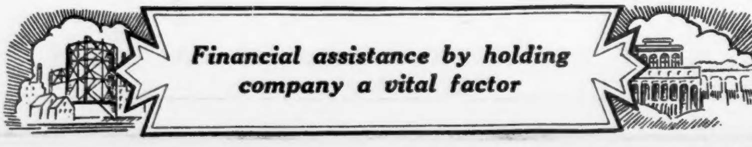
The North American Company, however, states specifically in its Annual Report for 1926 that it "does not maintain a centralized management or engineering organization." That this company does exercise a supervisory power over its subsidiaries is plainly shown in the following extract from its oft-repeated statement of policy:

"The management of your company believes that the policy which should govern the administration of public utilities, if they are to be stable and uniformly profitable investments, is to develop their facilities so that they may be adequate not only to meet the present demands of the communities in which they operate with service of the highest standard, but also to respond immediately to the growth of such communities and their business, however rapid it may be. The North American Company stands in a protective relation to these properties. It is not seeking to exploit them for present large profits. It holds their securities as permanent investments, and seeks to establish them in the favor and confidence of the public by just methods and efficient administration, and to maintain their finances on the most conservative basis."

Although it is now evident that any general statements regarding functions of holding companies in this field cannot be accepted as being specifically applicable to any given company, there are various ways in which the supervisory power of the average company operates to the economic advantage of its subsidiaries, and, therefore, to the benefit of the investors in above classes of securities. These functions may be grouped under the three functions of developing, supervising and financing.

Function of Management

In the developing function the holding company has on its staff experts whose entire attention is given to the construction and expansion of operating properties. These men are ideally equipped to determine the most advantageous size, the best location, and the most satisfactory equipment. Moreover, they are able to purchase on a most favorable basis. Not only are they able to get price discounts arising out of quantity orders, but also are they able to get quality of material and equipment through insistence upon rigid standards of performance, and to get the best possible service from sellers, both with respect to delivery



Engineers Public Service Company
and Subsidiaries

DURING 1926 the subsidiaries of Engineers Public Service Company spent $12,314,086 in additions to plant and property, including power station capacity totaling 45,000 horsepower, bringing the total investment in that account up to $132,708,757.

This expenditure is in line with the policy of the management of Engineers Public Service Company to maintain at a high standard of efficiency the electric light and power, gas and other utility services rendered by its subsidiaries, and also to safeguard the invested capital through the steady enhancement of the value and earning capacity of the properties.

While earnings to latest date show substantial increases, as is evidenced by the following statement, they reflect only in part the benefits to be derived from additions to plant and property during 1926.

Earnings of Engineers Public Service Company
and Subsidiaries

Twelve Months Ending April 30th

	1927	*1926*
Gross Earnings	$27,689,528.30	$24,322,677.46
Operating Expenses and Taxes	17,196,536.19	14,894,009.84
Net Earnings	$10,492,992.11	$ 9,428,667.62
Balance to Reserves and to Engineers Public Service Company	5,643,884.28	4,855,724.91
Dividend Requirement of Engineers Public Service Company $7 Dividend Preferred Stock	2,153,557.00	1,910,671.00

The subsidiaries include Virginia Electric and Power Company, The Key West Electric Company, Eastern Texas Electric Company (Delaware), El Paso Electric Company (Delaware), Savannah Electric and Power Company and Baton Rouge Electric Company.

Since the formation of Engineers Public Service Company in 1925, twelve companies underlying these subsidiaries have been eliminated, and it is expected that further simplification of the corporate arrangements will be completed this year.

Our analysis of Engineers Public Service Company and subsidiaries contains exhaustive information concerning the properties and their financial structure. This analysis may be had on request. We will also be pleased to mail to interested investors a copy of consolidated income statement and balance sheet issued monthly by Engineers Public Service Company.

STONE & WEBSTER and BLODGET
INCORPORATED

BOSTON
49 Federal Street

NEW YORK
120 Broadway

CHICAGO
38 So. Dearborn Street

Albany ***Buffalo*** ***Hartford*** ***Portland***
Providence ***Rochester*** ***Syracuse***

dates and installation. After the plant has been constructed, other experts on the staff of the holding company carefully supervise the operations of the plant. They conduct extensive market analyses to determine the extent to which all possible customers are brought to the attention of the local officers. They assist in the preparation of constructive rate schedules which permit the operating company to build up its load on a profitable basis. In many cases they permit the small company to render a service to the community which would be impossible if that company were operating independently. The following illustration is taken from the Annual Report of the Middle West Utilities Company for 1926:

"Small systems or isloated plants serving individual towns are frequently handicapped by the absence of a diversified demand and by inability to meet the service requirements of the larger industrial users. Backed by the investment company's ability to plan and finance larger systems which can support economical generating plants, the Middle West Utilities Company's operating subsidiaries are provided with economical plant facilities that can handle, in addition to the ordinary services, the larger industrial requirements in the territory. If necessary, the facilities can readily be extended to meet new demands as they arise. In view of the fact that the subsidiaries of the Middle West Utilities Company serve mainly the medium-sized and smaller towns, this provision of a high grade service is an important factor in the industrial development of non-metropolitan areas."

Interconnections

In many cases, especially where the operating subsidiaries are located relatively close to each other, interconnections of plants are made possible. Such interconnections worked out very well in the electric power and light field, where a few large generating stations replaced several smaller units. Because the large units are more efficient, a considerable saving in fuel consumption is accomplished; and, because a smaller amount of reserve capacity is required, peak loads can be carried on a more economical basis. A further saving arises out of the actual cost of production gained through betterment of the load factor upon the entire system. A saving in capital investment is particularly important because of the slow turnover in this field, where $4 must be invested in plant and equipment for each $1 in revenue. In short, a reduction in reserve capacities is effected, with a better average load factor and protection against emergencies such as breakdowns, strikes and transportation tie-ups.

Because the holding company generally requires that the accounts of the operating snbsidiaries be kept in uniform fashion, according to the most modern procedure, it becomes possible for investors, as well as others interested, to ascertain expediently and intelligently the actual earning power of the properties, carrying as it does assurance against all losses which arise out of loose accounting methods. Furthermore, the holding companies carry comparative records of performance of the

For Public Utility

Investment Suggestions

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operating subsidiaries which enable the weak spots to be quickly rectified. An example of this practice is to be found in a further quotation from the report of the Middle West Utilities Company above referred to, viz.:

"In the operation of these generating stations the wide contacts of the investment company have permitted the establishment of standards of performance toward which operations can be directed. These standards are based on experience with economical plants in various subsidiary companies and on the knowledge of the performance of the most economical large plants of the United States secured through contacts with the owners of those plants. The subsidiary companies are operated by competent local organizations whose management is entrusted with responsibility and held for results, and whose efforts are supplemented by the Middle West Utilities Company's study and comparison of operating results of its subsidiaries. The resultant increase in energy demands and the diversity of uses furnish a basis for the development of economical generating capacity, both hydro and steam."

The holding company is in an excellent position to be of assistance to the operating companies in all matters of a legal nature. It is highly desirable that the company's position be adequately safeguarded in all questions involving the establishment of equitable rates. It is also desirable that the company be protected against unreasonable regulations which might be imposed under the rulings of any public body. It is further desirable that the company be adequately represented in all court actions involving damage claims. The small independent company is not financially able to employ legal counsel thoroughly qualified to handle these various matters. The holding company can do so through spreading the expense over a number of smaller companies.

Public utility companies essentially enjoy close relationships to the community as a whole. It is probable that the holding companies, through taking a broader and more wholesome viewpoint of public relationships, are able to help their operating subsidiaries establish a more cordial relationship in the community which they serve. A notable example of such co-operation is to be found in the great success which many of these operating companies are achieving in the sale of their securities to customers, under the careful supervision of the holding company.

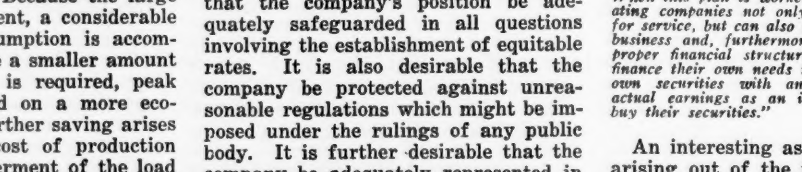
Financial Aspects

Somewhat contrary to popular opinion, the financial side of the relationship between the holding company and its operating subsidiaries is of considerable less importance in the public utility field than in other lines. Advantages exist in this respect, as will be shown, but the chief warrant for the existence of the holding companies is in the developing and supervising functions rather than in giving financial assistance. Although the principal advantage which the operating company enjoys in a financial way arises out of permanent financing placed at favorable rates by the holding company, there are also temporary ways in which assistance is granted. An illustration of this appears in the following extract from a recent article by Edward B. Lee of the Electric Bond and Share Company:

"In addition the holding company, if it is one that is carrying on its work in the most successful way, carries the financial burdens of the operating company until the latter can finance its own requirements. Newly organized operating companies frequently are not in a position, by reason of insufficient earnings or an unfavorable balance sheet or because of outstanding issues of securities that should be retired before additional financing is attempted, to go into the market for new funds with which to carry on construction work. The companies need to be fattened before being financially exposed to the critical gaze of security dealers and investors. The properly constituted and functioning holding company carries the financial burden until the time arrives when the operating company has a financial structure that will successfully bear public scrutiny and an acceptable earnings history. The holding company, if a strong one, has the resources necessary to carry this burden, or else it has the credit necessary to obtain funds from investors to meet the cost of property extensions of its operating companies. When this plan is worked out properly, the operating companies not only can meet the demands for service, but can also go out and get additional business and, furthermore, they can build up a proper financial structure and can in due time finance their own needs through the sale of their own securities with an attractive showing of actual earnings as an incentive to investors to buy their securities."

An interesting aspect of the benefits arising out of the financial assistance granted by the holding company is that the investor usually gets a better security than would have been available had the operating company handled its financing independently.

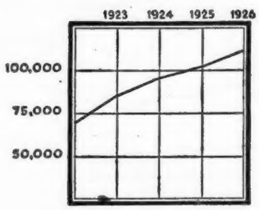
The purpose of this article is not to convey the impression that the foregoing advantages arising out of the presence of the holding company in the public utility field are an unmixed blessing. In a field which has developed so rapidly in the past twenty-five years, it was unavoidable that certain evils should arise. Some of the more important of these were ably set forth by Professor G. R. Ripley in his recent articles. Much is being done to correct these abuses and there is every promise that the situation will continue to improve in this respect. In the main, the holding companies have justified their existence and the general welfare of the country has been advanced by reason of their far-sighted policies.



10 *times across the continent*

In 1923, light and power companies had constructed 86,000 miles of transmission wires. In 1926, this mileage had reached the 112,000 mark — an increase of 26,000 miles. In straight lines instead of circuits, these new wires would reach 10 times across the United States.

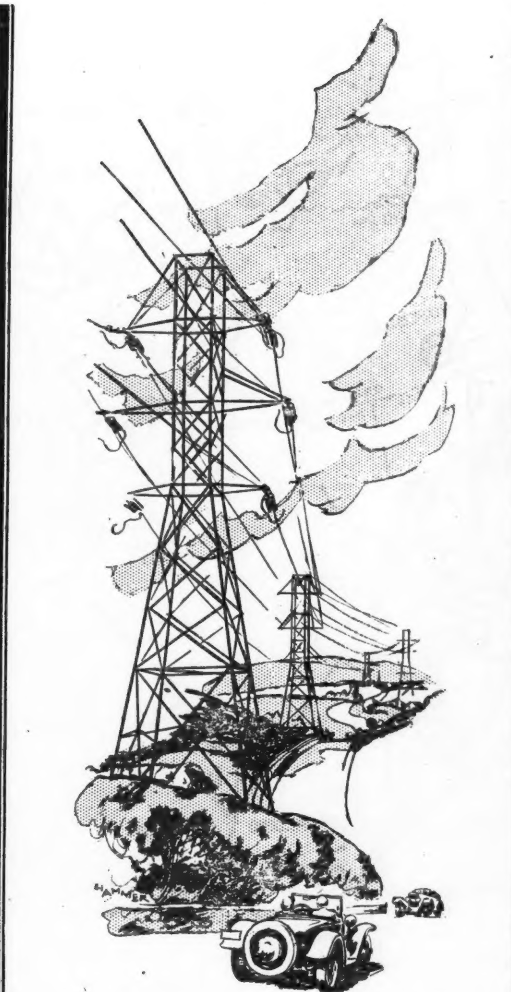
Long-distance transmission of electric power is just getting under way. Soon large-scale super-power projects will link the country with a network of high-tension wires. It will not be long before a switch in Chicago will supply current for motors in New Orleans.



Number of miles of transmission lines in U. S.

Added mileage means added business. Remoteness from power sources today forces many industrial plants to do without electricity or to maintain their own generating plants. The electrification of America's six million farms has been deterred by the distance between powerhouse and homestead. With new wires, the electric light and power companies are rapidly reaching new markets.

WESTINGHOUSE ELECTRIC & MFG. COMPANY
Offices in All Principal Cities
Representatives Everywhere

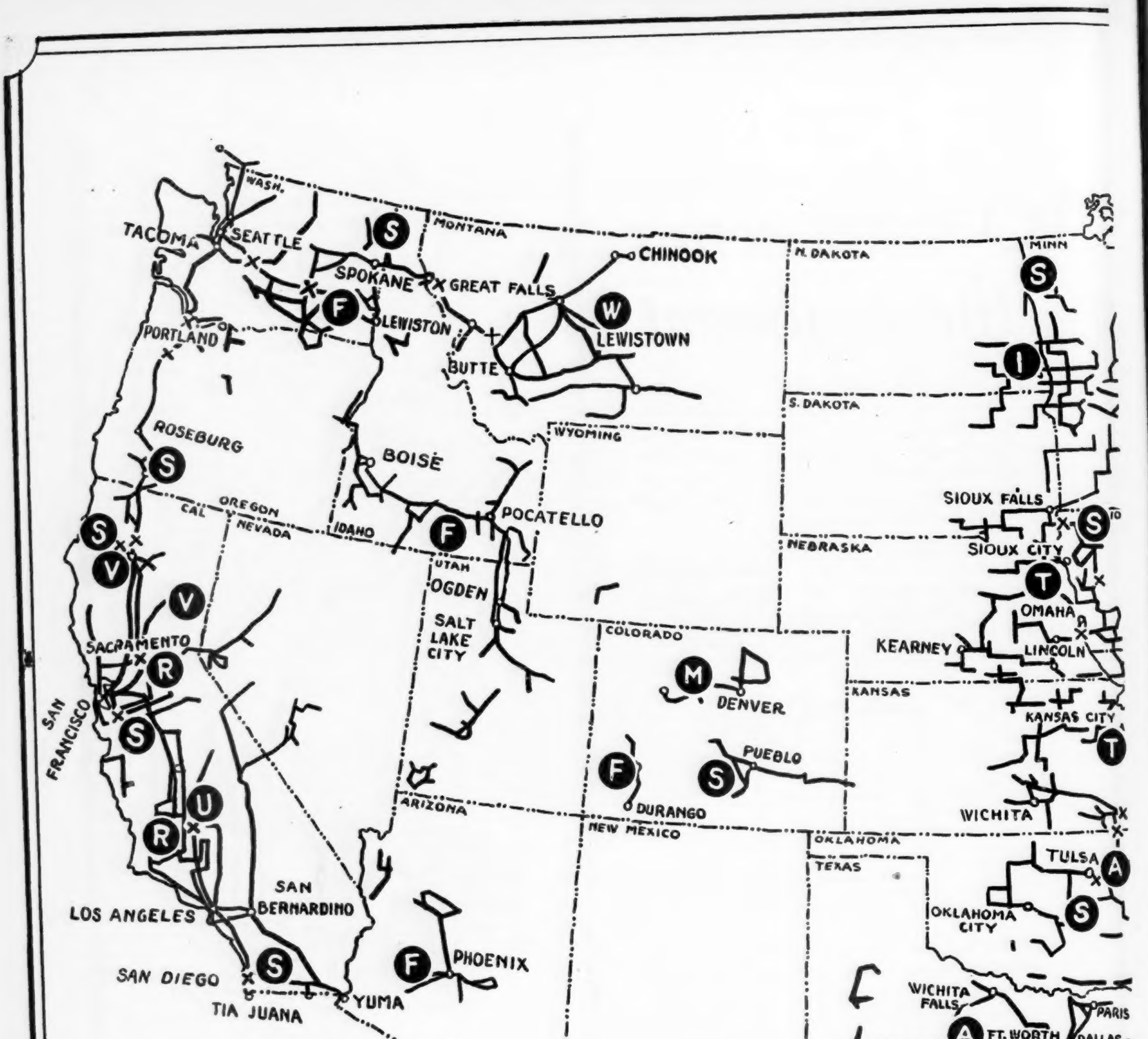


Westinghouse manufactures circuit-breakers, lightning arresters, insulators, transformers and other transmission equipment. New miles of wire mean the use of more Westinghouse apparatus.

Westinghouse

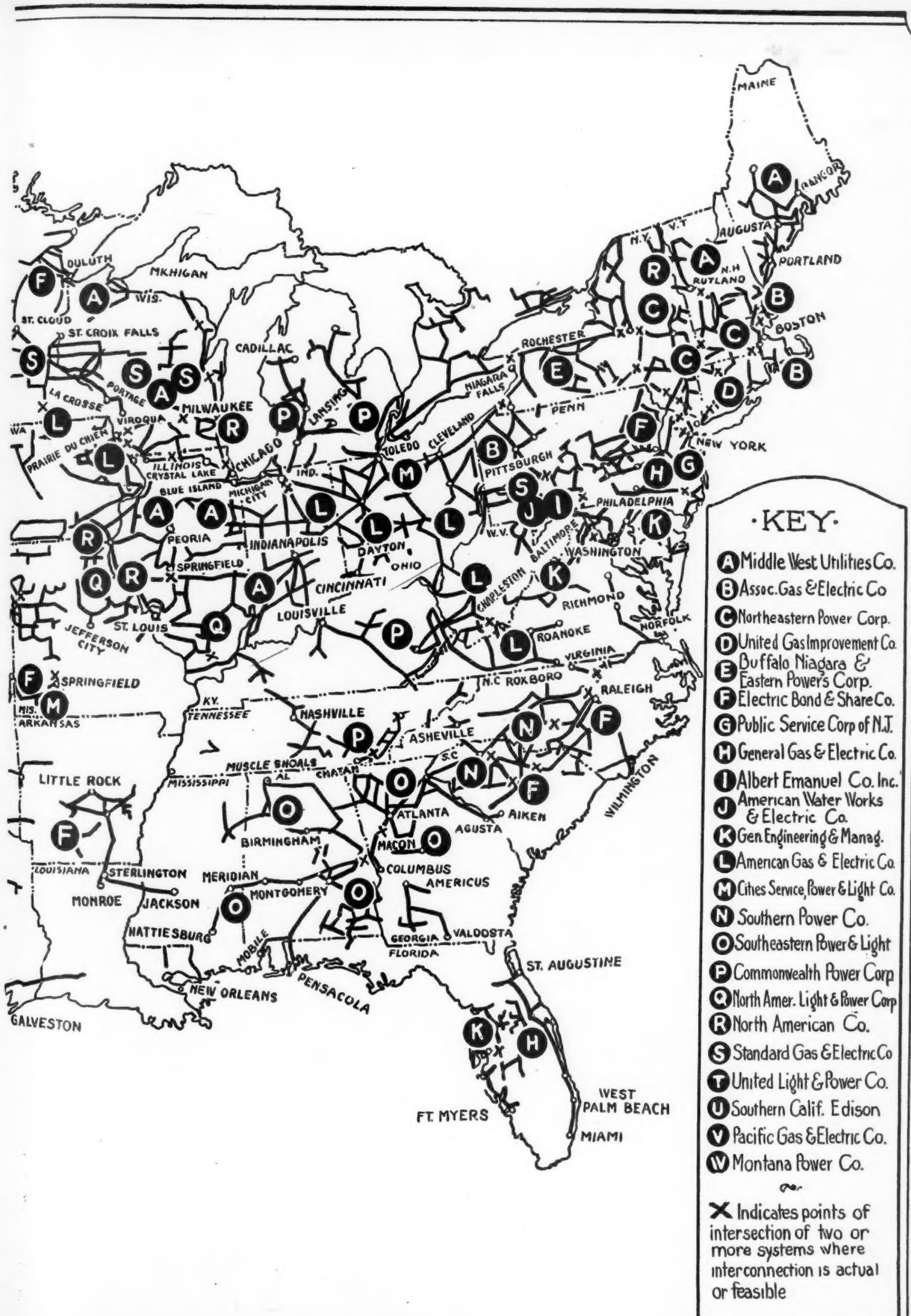
W
WESTINGHOUSE ELECTRIC

ECONOMIC TRENDS IN THE ELECTRICAL INDUSTRY



MAJOR HOLDING COMPANIES OF THE UNITED STATES

Showing Interconnections of Leading Public Utility Companies in the United States.



MAINE
BANGOR
AUGUSTA
PORTLAND
N.H.
V.T.
N.Y.
RUTLAND
BOSTON
ROCHESTER
NIAGARA FALLS
PENN
NEW YORK
PHILADELPHIA
BALTIMORE
WASHINGTON
PITTSBURGH
CLEVELAND
TOLEDO
DAYTON
OHIO
CINCINNATI
LOUISVILLE
INDIANAPOLIS
IND.
CHICAGO
MICHIGAN CITY
BLUE ISLAND
CRYSTAL LAKE
ILLINOIS
PEORIA
SPRINGFIELD
ST. LOUIS
JEFFERSON CITY
MILWAUKEE
VIROQUA
PORTAGE
LA CROSSE
PRAIRIE DU CHIEN
ST. CROIX FALLS
ST. CLOUD
DULUTH
WIS.
MICHIGAN
CADILLAC
LANSING
W.V.
CHARLESTON
RICHMOND
NORFOLK
ROANOKE
VIRGINIA
N.C. ROXBORO
RALEIGH
KY.
TENNESSEE
NASHVILLE
ASHEVILLE
S.C.
MUSCLE SHOALS
CHATAN
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MISSISSIPPI
ATLANTA
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WILMINGTON
BIRMINGHAM
MACON
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NEW ORLEANS
GEORGIA
FLORIDA
VALDOSTA
ST. AUGUSTINE
FT. MYERS
WEST PALM BEACH
MIAMI
LITTLE ROCK
STERLINGTON
MONROE
LOUISIANA
MIS.
ARKANSAS
SPRINGFIELD
GALVESTON
·KEY·
A Middle West Utilities Co.
B Assoc. Gas & Electric Co
C Northeastern Power Corp.
D United Gas Improvement Co.
E Buffalo Niagara & Eastern Power's Corp.
F Electric Bond & Share Co.
G Public Service Corp of N.J.
H General Gas & Electric Co.
I Albert Emanuel Co. Inc.
J American Water Works & Electric Co.
K Gen. Engineering & Manag.
L American Gas & Electric Co.
M Cities Service, Power & Light Co.
N Southern Power Co.
O Southeastern Power & Light
P Commonwealth Power Corp
Q North Amer. Light & Power Corp
R North American Co.
S Standard Gas & Electric Co
T United Light & Power Co.
U Southern Calif. Edison
V Pacific Gas & Electric Co.
W Montana Power Co.
X Indicates points of intersection of two or more systems where interconnection is actual or feasible

What Is "Fair Value" for Rate-Making?

By JOHN BAUER

Director American Public Utilities Bureau

THIS question involves all the railroads, street railways and local transportation, electric light and power companies, gas properties, telephone and telegraph and other utilities. It affects directly or indirectly practically every person in the United States.

As to the financial interest, it is a question whether the railroads shall be allowed a return on $20,000,000,000 or $30,000,000,000 on their invested capital. For other utilities there is a similar divergence in the scope of "fair value."

The question is first of all one of fair dealing between the large numbers of investors in these public enterprises and the still greater number of consumers; there must be fairness. It is further, one of public policy, whether effective methods shall be employed or whether regulation shall be largely nullified through unworkable procedure, also whether financial stability shall be systematically maintained and a regular flow of capital assured to meet the growth in demand for service.

The utilities are essentially public or semi-public enterprises. They are distinguished from ordinary business in three main respects: They render fundamental services in present-day life; they have mostly grants of special privileges not available for ordinary business; they are natural monopolies not subject to the usual competitive forces which normally assure protection for consumers and promote progressive efficiency in operation.

Why Regulation? Because of these basic conditions, the utilities have come to be regarded as quasi-public. They are vested with a degree of public interest which takes them outside of the usual legal standards recognized in competitive business and requires special public regulation. The principal object of regulation is the control of rates. Only reasonable rates may be charged, and the power to fix reasonable rates is generally lodged with a special commission. The question is, what are reasonable rates and on what basis are they fixed?

The struggle of placing proper limitations upon rates was a long one and culminated in 1897 in the declaration by the Supreme Court of the United States that a company, is entitled to a fair return on the fair value of the property and in fixing a fair value consideration should be given to "the original cost of construction, the amount expended in permanent improvements, the amount and market value of its bonds and stock, the present as compared with the original cost of construction, the probable earning capacity of the company under particular rates prescribed by statute, and the sum required to pay operating expenses . . . and are to be given such weight as may be just and right in each case. We do not say that there may not be other matters to be regarded in estimating the value of the property. What the company is entitled to ask is a fair return on the value of that which it employs for the public convenience. On the other hand, what the public is entitled to demand is that no more be exacted from it for the use of a public highway than the services rendered by it are reasonably worth."

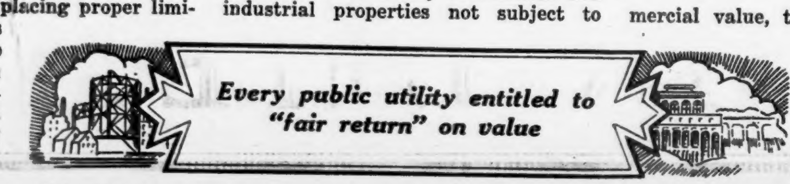
This famous declaration in *Smyth vs. Ames* marked a distinct advance in dealing with public utility rates. It did not furnish, however, such a definite measure as was probably assumed. The statement is extremely general; it has not made clear specifically just how the various elements enumerated shall be treated and what weight shall be given to each. Some of the factors have since been wholly disregarded and others have become recognized as a part of the general conception of "fair value." In all the rate cases with which it has dealt, the Supreme Court has never specifically ruled just how "fair value" shall be determined; exactly what factors must be included and in what concrete proportions. In the Minnesota rate cases, Justice Hughes declared specifically that "fair value" is not a matter of rules or formula, but requires a just consideration of the facts in each particular case.

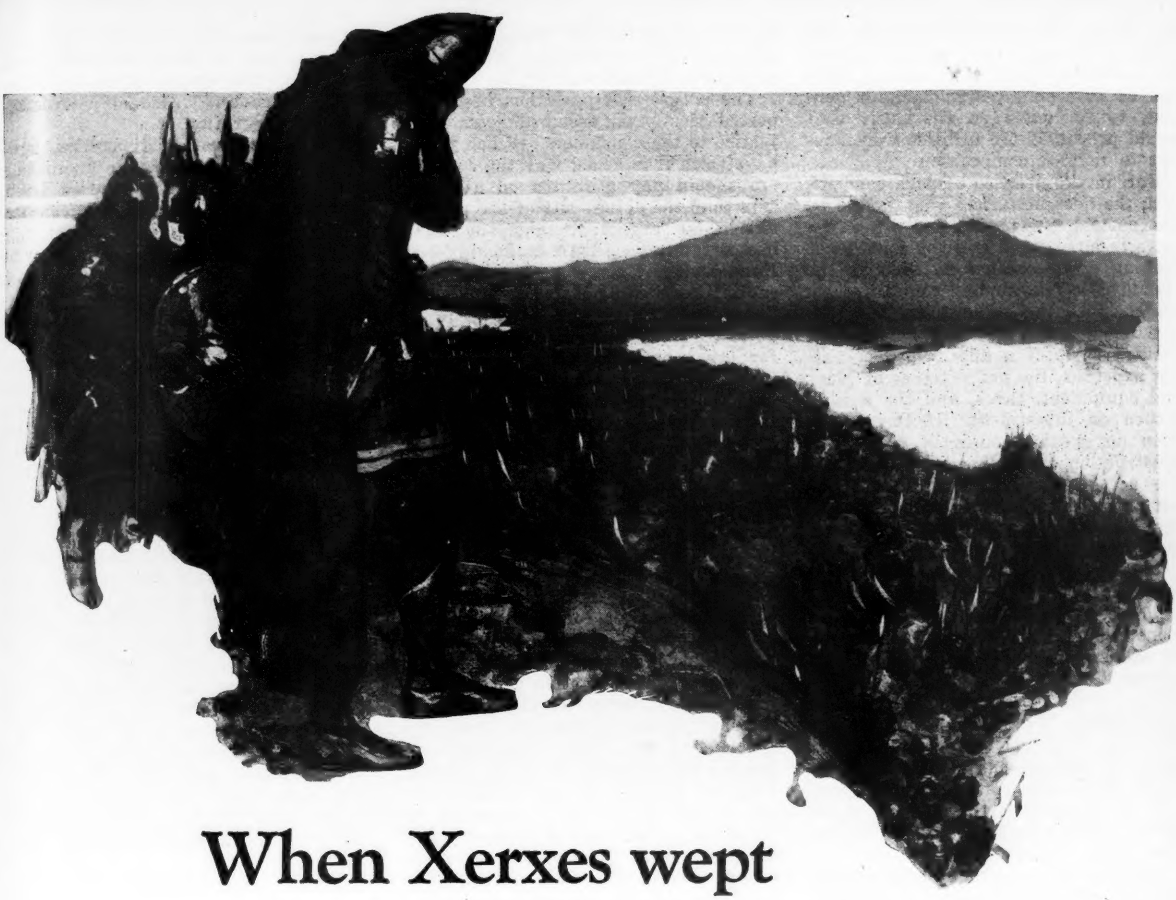
Fair Value and Earning Power The starting point in considering the nature of "fair value" is to distinguish it clearly from the value of ordinary commercial and industrial properties not subject to regulation. The latter value depends wholly upon earning power without regard to the physical constituency of the properties. No matter what the amount of the investment may be, or the present reproduction cost, or the depreciation, the commercial value is high or low in proportion to the established earning power; it is capitalized earning power. For public utility rate-making, such a basis of value obviously cannot be used; an amount that depends upon the rates to be fixed plainly cannot be taken as the measure of the rates. Consequently "fair value" for rate-making must depend upon a different standard so that it can be determined independently of the rates.

While the distinction just drawn is an obvious one from the economic and financial standpoint, it is not always closely observed by the courts or by writers on valuation for rate-making. It has, however, been followed by the Supreme Court at least as to certain basic conceptions. For example, "good will" cannot be included in the rate base because it depends upon the rates charged. Likewise no allowance is recognized for franchise value except actual payments made to governmental bodies or legitimate expenditures incurred in obtaining the franchise.

There has been a recognition of so-called "going value," which, however, is distinguished from "good will." It is the difference between the mere assemblage of physical plant and equipment and such a plant with a developed organization and an established business capable of supporting the enterprise. While the exact method of determining "going value" has not been decided, it is generally taken to represent the normal cost of creating an efficient operating organization and developing the business up to the point where it is financially self-sustaining. It is the normal developmental cost incurred during a reasonable developmental period on top of the capital expenditures in physical plant and equipment.

Standard of Control Notwithstanding the difference between "fair value" and commercial value, the more general economic standard which prevails in competitive business has nevertheless been more or less consciously followed for pub-





When Xerxes wept

THE Great Persian ruler gazed from a hilltop upon his vast army of a million men. It was the largest army that had ever existed. And he turned away with tears in his eyes because in a hundred years all trace of it would be gone. That army was a symbol of power, destructive and transient.

Today in one machine, now being built in the General Electric shops, there is combined the muscular energy of two million men. This great machine, a steam turbine, is also a symbol of power—a new power that is constructive and permanent.

Its unprecedented size, a record in construction of such machines, is a pledge to the people that the electrical industry is on the march, ever on the alert to supply plenty of electricity at a low cost to all.

This mammoth steam turbine with a total capacity of 208,000 kilowatts (280,000 horse power) will be installed in the new station of the State Line Generating Company near Chicago. What a striking contrast between this huge generating unit and the group of home devices it operates—MAZDA lamps, fans, vacuum cleaners, and many others. Yet General Electric makes both.

GENERAL ELECTRIC

lic utility rate making. The underlying purpose has been to protect the consumers against arbitrary exercise of monopoly power, and, in general, to fix rates on the basis that would prevail if the utilities were subject to regular competition.

But, in the absence of such competition, the question arises what would be the normal basis of value when the rates to be charged and the consequent earning power cannot be used as the standard? The answer appears from the consideration of ordinary competitive conditions. The average competitive business is able to pay operating expenses, the maintenance of plant and equipment, taxes, and the normal return on investment. If there have been no great changes in prices and construction costs, the normal value is the actual monetary investment laid out and maintained in the business. If there has been a change in price level and conditions of construction, the value is normally the reproduction cost of the properties.

These are doubtless the considerations that have weighed consciously or otherwise in the mind of the Supreme Court in attempting to deal fairly with these important natural monopolies. While the Court has not definitely fixed upon any dominant element of value, it has kept to the forefront the *present* conditions and doubtless considers that the present reproduction cost is an important if not the controlling factor.

There is no doubt that the conception just presented leads directly to reproduction cost less depreciation as the rate base, with reasonable allowance for going value; and this would be economically sound, would be just to all parties concerned, and would be workable under an economic system of stability in prices or under appropriate financial organization of the utilities. Unfortunately our system is subject to great fluctuations in price level, and it is these fluctuations that have caused the confusion in regulation and have brought the whole basis of regulation in sharp conflict before the commissions and courts. The chief question today is whether, or to what extent, valuation for rate-making should be based upon the reproduction cost of the properties, representing the level of prices at the time of valuation, or upon the actual monetary cost of the various units of property as installed at lower or higher levels than at the time of the valuation.

Reproduction Cost or Actual Cost

Assuming that in the end the law, both statutory and constitutional, must recognize basic economic facts, let us inquire briefly what is the best basis of "fair value" for rate-making — a fixed valuation representing the actual money expended for property or a fluctuating sum varying with changing prices and costs of construction. Actual cost or reproduction cost?

The actual cost basis has been supported mostly on assumed grounds of justice to the consumers. When prices have risen it is asked why the consumers should pay a return on a larger sum than the actual cost of the properties. This argument taken by itself has certainly very little economic force. Fundamentally there is no reason why capital invested in railroads and utilities should not be expressed in terms of changing prices exactly as capital for other business. Nor is there injustice if the consumers are required to pay for service in terms of the smaller dollars just as they pay for other needs and as they are paid for their own services. There is particularly no injustice if as a matter of established policy, the rate base is adjusted downward as well as upward with changing prices. The effect would be merely to adjust the return on the property so as to maintain a constant purchasing power for the investors.

The economic problem, however, is not so simple as just stated. There is much more involved than the mere adjusting of valuation to changing purchasing power. There is first, the problem of systematic administration, and second, the problem of maintaining financial stability in the utilities not only to provide for fairly expected returns, but to attract the necessary flow of new capital for improvements and desirable extensions of facilities. These considerations are a part of the larger economic problem and they affect the otherwise desirable policy as to the basis of "fair value."

Administrative Difficulties

As to the task of administration, it is plain that the reproduction cost basis as ordinarily considered would require repeated valuations. When prices have changed materially, a new valuation would be necessary before any rate adjustments could be satisfactorily made. During rising prices the public would resist an increase in rates and would obtain long delay in granting the increases even if actually needed. During falling prices the companies would oppose the reduction even if lower rates were warranted. These are haphazard and not desirable economic consequences.

Reproduction cost would thus present grave difficulties of administration. Rate adjustments would be too cumbersome, too time consuming, dilatory, and would generate too much friction between the companies and the public. These are the difficulties which have caused the growing dissatisfaction with regulation as a system and are responsible for the movement among many intelligent and disinterested economic critics to turn to public ownership and operation. The system is too unwieldly for effective and reasonably satisfactory administration.

The administration difficulties, however, might be met if once a fluctuating rate base with changing price levels were definitely adopted and at least the uncertainty of what constitutes "fair value" were settled. The objection at present is against the undefined character of "fair value" as well as to the fluctuating sum requiring repeated redetermination. If reproduction cost were expressly adopted, then the administrative difficulty could be met through adjustments by index numbers based upon general prices or upon selected construction costs. In this way adjustments upwards or downward in the valuations could be readily made after a proper valuation had once been established. Thereafter actual additional investments would be shown by the accounts and the rate base could be readily computed by use of indexes. The introduction of such a system would, of course, involve difficulties of its own. While business men have become somewhat accustomed to index numbers during the past fifteen years, they have not as yet come to enter into contracts wherein payments are made on that basis. Its extensive introduction in the field of regulation would be theoretically feasible, but practically difficult of achievement.

Distortion of Returns to Common Stock

The conclusive economic objection to reproduction cost, however, is of a different sort and cannot be remedied except by extreme measures which are beyond present realization. It arises out of the normal financial structure of the typical railway and public utility company. It is due to the fact that most of the companies have a large proportion of their properties represented by bonds and preferred stock with fixed monetary returns, and only a small proportion by common stock subject to variable income. On the average about 75% of the investment is tied down by contract to the dollar notwithstanding its change in economic value, and only 25% can be adjusted to the changing dollar. This is practically a fixed condition, and the consequences must therefore be considered if the entire investment were to be adjusted upward or downward with the shifting value of the dollar.

Through a period of rising prices, reproduction cost would provide a larger monetary return on the entire investment in full proportion to the falling value of money. But since the bond and preferred stockholders would still get only the dollars they contracted for, the entire adjustment would go to the stockholders, who would thus get an increase in

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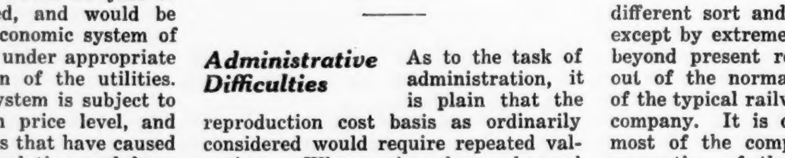
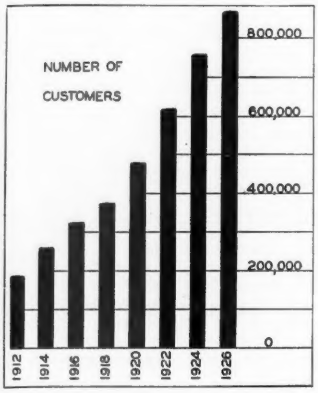


Edison Service in Chicago



THE ever-increasing demand for electricity in the City of Chicago, for lighting homes, public buildings, places of business and for turning the wheels of industry and transportation, is responsible for the rapid growth of the Commonwealth Edison Company.

In thirty-eight years, the capacity of the system has grown from 640 kilowatts to 965,000 kilowatts. During the same period, the population has increased only slightly more than two hundred percent. Today, the Commonwealth Edison Company has a larger capacity than any other single electricity supply company in the world.

As shown in the chart, the number of customers has increased four times in the last fourteen years, and now totals over 864,000.

Further information concerning the Company and its securities will be gladly furnished upon request.

Commonwealth Edison Company

72 West Adams Street :-: :-: :-: Chicago, Illinois

A Balance Sheet That All Can Read

An Eastern newspaper said a great deal in an editorial paragraph when it remarked recently:

> "Faith excels statistics for most of us today when it comes to choosing wisely among multi-millioned corporations for investment of funds. The good name for a business house means more to us than ten columns of figures. The reputation of fair dealing of an able and successful management means more than the most complicated balance sheet."

There are now over 106,000 shareholders in the Southern California Edison Company, 90 per cent of whom reside in the territory served by the Company.

To judge solely from the number of investors, it would seem that this organization has reason to believe that it enjoys a fair measure of the confidence of the investing public.

SOUTHERN CALIFORNIA EDISON COMPANY

LOS ANGELES

Owned by those it serves

Public Utilities Show Progress

Statistics Show Growth in Gross Revenues—Technical and Merchandising Improvements Mark Past Year

By JAMES M. CONNOLLY

Natural Gas

	Number	Consumption in Thousands of Cu. Ft.	Average Price per M Cu. Ft.
Domestic Consumers	3,250,000	278,000,000	51.1
Industrial Consumers	18,000	730,000,000	13.4

CURRENT figures are not available, the latest being for 1925, when 3,536,000 users were reported, an increase of 92,600 or 3% over 1924. During the past ten years production of natural gas has increased on the average 8% a year. Industrial consumption has been gaining decidedly on domestic, the disparity being indicated by the above figures as of the latest date available.

The great disparity in price charged to domestic and to industrial consumers, compared with the price differential in the case of manufactured gas, is due to the fact that raw materials, labor and other direct costs play a larger part in the artificial than in the natural product, where overhead forms the main element of cost.

The continuing demand for casinghead gas, largely a byproduct of natural gas production, has been intensified by the increased use of cracking process leading to the production of low-grade gasoline which requires blending with the higher-gravity casinghead gasoline.

The low price of natural gas to the industrial user, as indicated above, has led to increased activity in the location of manufacturing industries in the natural gas districts, particularly in the Ohio basin and the Southwest.

On the other hand, increased efficiency in the use and distribution of natural gas has been furthered by the steady tendency toward higher prices to the domestic consumer. It is within the recollection of many men now living that natural gas companies used to charge a dollar or two per year per burner, irrespective of how much it was used, and householders would leave the gas burning rather than trouble to turn it off. This kind of management led to the rapid exhaustion of some of the earlier fields, and the tendency of natural gas producers has been to remember that there is only a limited amount of gas in every pool, and that if it is not disposed of early at low prices it will be disposed of later at higher prices. As a result, some of the producers are waiting for business to come to them, rather than going out for business, a policy which should mean larger profits in the distant if not in the near future.

Manufactured Gas

	Sales in Millions of Cubic Feet	Number of Customers
1926....	459,326	11,000,000 (estimate)
1925....	421,400	10,600,000

OF all the public utilities, it is a question if the artificial gas industry has not shown the greatest vitality in all directions in the course of 1926. Production methods have been improved, particularly in the manufacture of water gas; vacuum cleaners, automatic self-charging and self-cleaning continuous gas makers are entering the commercial stage; the production of coal gas has been made more efficient with the wider use of the vertical oven. It is estimated that by now nearly the maximum thermal efficiency possible in gas production has been attained, over 80% of the theoretical heat units of the coal being converted into a salable form.

On the distribution side, the use of high pressure gas mains has been increasing, as population in the larger cities continued to grow further away from the heart of town. Higher pressure and the growth of pipe line systems analogous to those of the natural gas industry are being looked forward to.

Sales developments include the expansion of such diversified fields as gas refrigeration, house heating, oxy-cety gas welding, and other industrial uses. In the Chicago district, the industrial use of gas increased 25% during the year. In New England, the latest available estimate places the use of gas at five times the amount consumed in 1900, and the per capita consumption at four times the 1900 figure, in spite of the virtual disappearance of the gas lighting load.

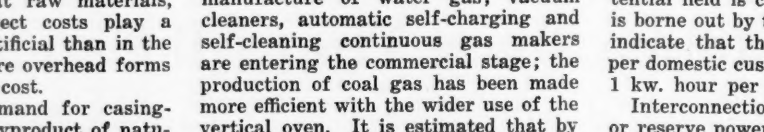
Electric Light & Power

	Power Generated in kw.-hours	Number of Customers
1926........	68,732,000,000	19,528,581
1925........	61,158,857,000	18,068,221

"PROSPERITY and progress" seems to have been the keynote of the industry in 1926. The increase in volume of business and number of customers indicated above has been slightly less than the rate of increase in 1925, but it indicates that utility executives are right in laying the major emphasis on selling rather than on production and distribution of power which have been the outstanding directions of progress in recent years. It is estimated that about 10% of the potential field is covered. The statement is borne out by the figures which would indicate that the average consumption per domestic customer amounts to about 1 kw. hour per day.

Interconnection in the sense of relay or reserve power rather than transmission over great distances has made great strides, 220,000-volt transmission lines spreading to other parts of the country than the South where they have been in use for years. On the other hand, the greater efficiency in the use of fuel for electric power generation last year which brought coal consumption down to an average of 1.9 lbs. per kw. against 3 lbs. which was considered good performance five or six years ago, has naturally operated to lessen the economic radius of transmission. In addition, there has been an increased feeling that reliable service means the necessity for each area to be more or less self-supporting, although interconnection can be of great service within each section. One executive summed it up by saying that under present conditions of high efficiency, the cheapest way of transmitting energy is often in the form of 50-ton railroad coal cars.

Industrial and railroad electrification has been proceeding rapidly and an enormous vista is opened in-



to the future by the introduction of the electric storage battery locomotive. This development, not requiring the enormous initial expenditure of complete railway electrification, still accomplishes a large part of the economies of the latter, and in time, it is believed will pave the way for thoroughgoing electrification.

With the great improvement in power generation and distribution and increasing regional interconnection indicated by the fact that inter-company sales increased 74% last year as against 1923 and purchases of power by electric companies for resale amounted to 20% of the total power generated, there has naturally been a continuation of the tendency in recent years for electricity rates to go down. Last year they reached an average for the country as a whole of 7.4 cents per kw. hour for domestic customers. In the industrial field where economies in production and distribution are even more quickly felt than in the domestic load where many items such as overhead, servicing, metering, office expenses, etc., play a large role, it has been possible to reduce rates to a level that has attracted a significant volume of new business. Power customers who took 57% more electricity than lighting customers in 1913, took 135% more in 1926.

Electric Railways

	1926	1925
Gross revenues...	$857,062,000	$836,181,000
Increase	2.50%	
Net income......	$218,839,000	$217,545,000
Passengers (in thousands).	14,660,626	14,423,628

(Totals are for 353 companies reporting to the national association.)

THE above figures, representing 78% of the electric railway trackage of the country, indicate that while the industry is moving forward, it is not yet out of the woods. Operating expenses still increase faster than gross revenues, principally due to wage adjustments. It is significant that while cost of operations per car-mile were about the same last year as in 1925, the number of car-miles has increased faster than the number of passengers, indicating that more intense competition is being felt in the shorter haul trade.

Outstanding during the year was the tendency toward the establishment of relations of cooperation rather than competition with the motorbus, the busses being used as feeders and to develop new territory where density of traffic would not as yet warrant the high fixed investment of a trolley line.

On the reporting roads, bus mileage covered increased 62% during the year, while trolley-car plus bus mileage increased only 3.46%.

Freight haulage by electric railway, formerly acclaimed a savior of the industry, has met increased skepticism during the past year, and its profitableness is still open to question, depending on circumstances.

Telephone

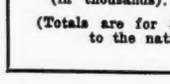
	Bell & Bell Connected Telephones in Service	% Increase	Telephones Not Connected to Bell System	% Increase
1926..	17,625,000	5.3%	216,000	31%
1925..	16,720,000	·	165,000	

THE telephone industry has gone ahead during the past year, with the peculiar steadiness of rate of increase which has characterized it for many years. On the technical side, the extensive research and development work which the industry has carried to so high a pitch has borne fruit. Great economies in the cost and efficiency of cable, the net result of which is that more telephone traffic can be carried over a given number of wires, and these wires can be insulated and laid down at a lower cost than hitherto. Machine switching central offices have increased their scope during the year and at the present time, more than 14% of the telephones of the Bell system are so equipped and operated.

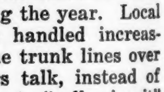
Improvement in speed and accuracy in handling telephone calls and in service installation and maintenance have also been noted during the year. Local calls are now being handled increasingly directly over the trunk lines over which the subscribers talk, instead of through a roundabout "call circuit" used by the operators alone, thus eliminating delay and increasing accuracy.

Improvement in service also includes the extension of the area in which telephone calls are treated as local calls, that is, the subscriber calls a number and waits at the telephone until it is reached instead of putting in his call several minutes to half an hour ahead of time as has previously been necessary.

More spectacular if less significant from a business point of view have been the achievements in transoceanic telephony at first from New York to London and later extending into the interior from New York and over larger parts of western Europe out of London. The transmission of pictures, type matter, etc., over telephone wires was a further extension to the service last year, indicating steady improvement of the industry.



Industrial and railroad electrification proceeding rapidly



How Bus Transportation is Being Linked Up With Electric Railways

By JACKSON MARTINDELL

Comparative Figures on Motor Bus Transportation
(Common Carriers Only)

(Compiled from figures secured from "Bus Transportation")

	1926	1925	1924	1923
Number of Operating Companies (Total)	7,215	6,455	6,744	2,904
Steam railroads	38	31	None	None
Electric railways	266	250	193	121
Independent operators	6,911	6,174	6,551	2,783
Number of Buses Operated (Total)	41,806	37,500	34,100	27,250
Steam railroads	522	375	None	None
Electric railways	7,284	5,150	3,000	1,200
Independent operators	34,000	31,975	31,100	26,050
Miles of Route Operated (Total)	270,068	235,367	184,502	......
Steam railroads	6,058	4,488	None	None
Electric railways	13,619	12,278	5,087	1,300
Independent operators	250,391	218,601	179,415	......
Passengers Carried (Total)	2,100,000,000	......	......	......
Steam railroads	7,500,000	......	.....	......
Electric railways	900,000,000	......	.....	......
Independent operators	1,192,500,000	......	......	......
Miles of Electric Railway Track	42,912	43,201	43,146	47,283

THERE is hardly a field of enterprise wherein improvement and growth have been so rapid, during the past two decades,—and at least temporarily—so upsetting as in the transportation industry.

This is too well realized and understood to require much elaboration. The development of all that rolls on wheels has been astounding. This development has demonstrated to traction managements that no industry has reached its goal, has passed the stage of technical improvement or is safe from radical changes caused by new discoveries, inventions or improvements.

Growth of Bus Transportation

The rapid and unusual development of motor bus transportation came as a surprise to the traction companies while the ever-increasing number of private automobiles added to their worries. The new competing field of enterprise was entirely left to outsiders until gradually, the greater wisdom of adaptation to the new standards was realized. A dozen years ago the bus was hardly known as a common carrier. It is estimated that there are now more than 41,000 buses in use in the United States as common carriers, to which 38,000 non-carrier buses (school, hotel, sightseeing buses, etc.) must be added, making the grand total well nigh 80,000. It took not more than three years to double the number of 40,000 at the end of 1923. The total number of passengers carried in 1923 by motor buses of all sorts was roughly estimated at 1,000,000,000. Last year this figure had risen to 2,395,000,000!

It would be futile to assert that these results did not mean a considerable loss of fares to the electric railways. However, on the other hand, the effect of this tremendous growth of bus traffic on fixed—rail—transportation has been and undoubtedly still is grossly exaggerated by the general public. It is a problem which, especially of late, has been given much attention, and expert opinion in the field of transportation nowadays is leaning more to the belief that only a small percentage of total bus traffic would otherwise have gone to the steam railroad or electric traction company.

No sane person will assume even for a minute that the steam railroad which now prospers more than ever before is doomed to ruin, but even as regards the city and interurban electric railway, the statement made in 1920 by a leading authority on city transportation to the effect that "the trolley car can be relegated to the limbo of discarded things, along with the stage coach, the horse car, and the cable car," would, in this year, hardly be underwritten by any competent authority, probably not even by the author himself.

Amount of Trackage Abandoned

It is estimated that since 1917 the total trackage on which car service has been superseded by bus service, is about 2,300 miles, 1,500 miles of which formerly were operated by 110 companies which now have no rail operations at all. In 1922 there were in the United States 47,150 miles of electric railway track. Assuming that this mileage does not present a great difference from the total for 1917, we find that less than 5% of total trackage was abandoned

to make place for bus service.

But we go further and find that at the end of 1926 more than 13,600 miles of route were covered by buses operated by electric railway companies, or almost 6 times the abandoned trackage. Adding to this figure over 6,000 route miles operated by steam railroad buses and more than 250,000 miles operated by independent motor carriers, we arrive at a total of approximately 270,000 route miles for common carrier buses, or more than the entire network of steam railroads in the United States which now stands at 251,318 miles. Or, in street railway figures, common carrier bus routes cover over 5.7 times the total trackage of electric railways in 1917 and more than 117 times the 2,300 miles of track abandoned for bus service. Does it need any further explanation that the bus has a place of its own *next to* and *in co-ordination with* the electric trolley line?

The total investment in rolling stock, including terminals, garages, etc., is estimated for these 270,000 miles of common carrier routes and in addition over 337,000 route miles of non-carrier buses (schools, sightseeing, etc.) at as little as $455,000,000. What would the cost have been of 270,000 additional miles of electric railway track! According to the United States Census reports the total cost of road and equipment of electric railways in the United States, then having a total trackage of 43,932 miles of single track, stood at over $4,838,600,000.

Bus Operating Results for 1926 of Electric Railway Companies Operating Buses

(Compiled from Figures Obtained from the American Electric Railway Association)

	Passenger Revenue from Buses	Total Bus Operating Revenue	Gross Income from Bus Operations (after depreciation)
4 LARGEST CITY COMPANIES			
No. 1.........	$10,748,130	$10,944,444	$240,098
No. 2	3,130,591	3,231,848	7,772
No. 3	2,142,071	2,157,818	206,505
No. 4.........	1,195,975	1,204,724	(def) 406,369
4 LARGEST INTERURBAN COMPANIES			
No. 1.........	601,658	633,614	(def) 18,762
No. 2.........	245,636	247,764	*70,582
No. 3.........	221,591	237,996	28,835
No. 4.........	188,135	192,480	4,356
4 LARGEST COMBINED CITY AND INTERURBAN COMPANIES			
No. 1.........	1,170,131	1,204,851	17,278
No. 2.........	1,065,887	1,105,072	21,435
No. 3.........	987,875	1,019,882	(def) 8,850
No. 4.........	610,237	627,588	(def) 342,134

*Before depreciation.

Advantages of Bus Over Trolley

That is the double advantage the bus has over the trolley car. It is flexible in operation because it requires no track; and because it does not require track, the capital outlay is small. Moreover, it can change its route, if desirable, without any expense; failure of one bus does not hold up an entire line; it adjusts itself to the traffic; it is better fitted for thinly populated districts; its service can be installed almost immediately where the demand presents itself; in short, it contrasts in many respects with the rigid trolley system.

Nevertheless, the trolley car has not lost its right of existence. Its loss of trackage has been comparatively small. It has, although not everywhere, its own merits. It is, if properly operated and of modern type, a very convenient means of mass transportation in thickly populated districts and larger cities and even for certain interurban traffic. But it has to reckon with the demands of this modern age. The management itself has to be "flexible," that means the traction companies have to adapt themselves to the changed conditions. Where needed, they have to modernize the rolling stock and operation methods and coordinate the bus with the trolley car rather than leave the field open to competitors.

Traction Use of Bus System

And this has been done and is being done at present all over the country. The bus itself is to a great extent responsible for that. It has forced the traction companies to effect economies and has led to such things as the one-man car. It has put better, more comfortable and speedy cars on improved tracks. And most important of all, it has taught the railway companies to take the motor bus under their own wings, gradually but surely. This is illustrated by the following figures: in 1923 they operated 1,200 buses; in 1924, 3,000; in 1925, 5,150 and in 1926, 7,284. Consolidations of smaller and larger bus companies are the order of the day and are effected as well by the electric traction companies as by the independent bus operators.

It was related by A. J. Brosseau, secretary and director of the National Automobile Chamber of Commerce in an address read before the American Electric Railway Association in 1924 that sometime before, one of the partners of Stone & Webster, Inc. (one of the leading public utility management and engineering firms), in an address to his organization, said he wanted the members of his organization to quit thinking they were in the street-car business. He told them they were in the *transportation* business.

That is getting to be the spirit of every public utility company having traction operations. The *Public Service Corporation of New Jersey* has understood the trend of the times and counts among its subsidiaries the *Public Service Transportation Co.* which runs over 1,200 buses, covering practically the entire State of New Jersey and working in coordination with the affiliated trolley lines.

The financial results may not in all cases have been very striking at first, also because the acquisition of competing bus lines oftentimes was a costly affair, but such action has undoubtedly enabled progressive companies to weather the storm and prevent larger losses which would have been suffered if competitors had been allowed a free hand. And after all, the operating results are improving. The largest bus operator at present, the aforementioned Public Service Transportation Co., showed the following bus earnings for the past three years:

Year	*Operating Revenue*	*Operating Income (after depreciation)*
1926......	$10,944,444	(surp.) $232,230
1925......	7,608,505	(def.) 731,096
1924......	4,133,120	(def.) 814,073

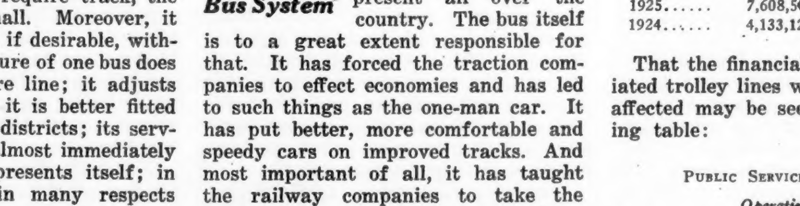
That the financial results of its affiliated trolley lines were not appreciably affected may be seen from the following table:

PUBLIC SERVICE RAILWAY CO.

Year	*Operating Revenue*	*Operating Income (after depreciation)*
1926......	$19,974,906	$4,656,777
1925......	21,035,933	4,616,412
1924......	22,473,842	4,726,140

Many independent motor bus companies are a financial success and may prove a stimulus to the electric railway companies. We give below a few figures for

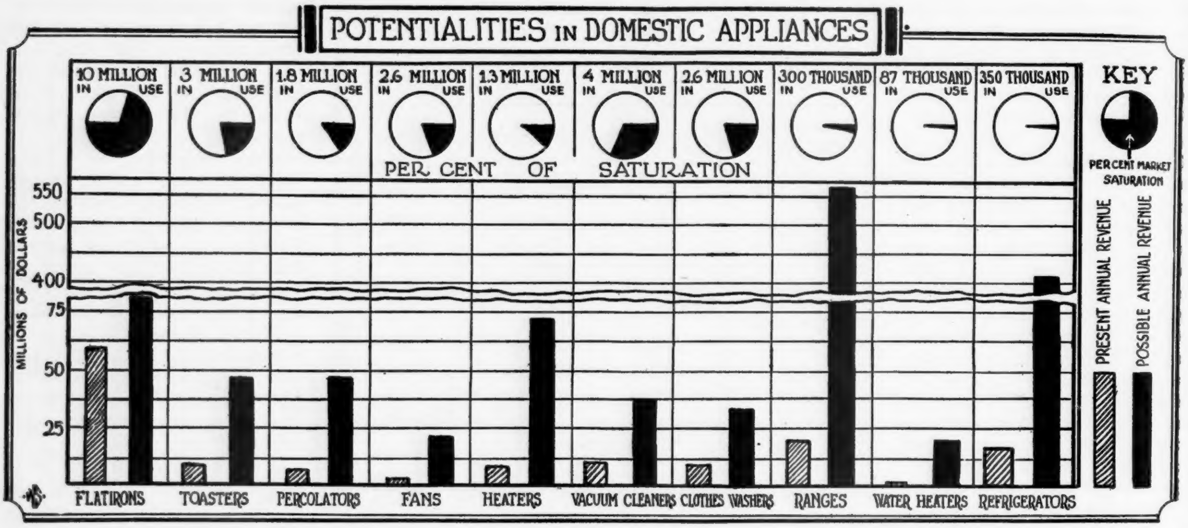
(*Please turn to page* 450)



Appliances Important Source of Utility Revenue

Energy Consumed by Numerous Household Appliances Surpasses Lighting Load With Possibilities But Partly Exploited

By WARREN BEECHER



NOT so long ago it was reported that in the city of Philadelphia slightly more than 50% of the current supplied in residential service was consumed by household electrical appliances. In other words, in a representative community, where rates are certainly not unusually low, the revenue from actual lighting was more than equalled by that derived from the daily use in the average home of vacuum cleaners, washing machines, fans, irons, heaters, etc.

While similar figures are not available for the past year, if steadily mounting appliance sales be taken as any criterion the appliance load has increased still further.

Take another instance: During an active four-year house-wiring campaign in Cincinnati, when 65,000 new customers were obtained, it might have been expected that average revenue per customer would decline, but through the simultaneous and vigorous marketing of appliances, the revenue per customer was actually increased from $24.95 to $25.82.

Moreover, if these cities be taken as typical, it will be appreciated at once that the increasing adoption of electrical devices for home use is no mean factor in utility revenues, present and future.

Whereas residences consume but 10% of the total energy generated, the revenue from this source constitutes approximately 28% of the gross received by the companies. Nor have the possibilities of this field been by any means exhausted. An inspection of the above chart shows little approaching saturation in any of the major appliances. Even in the electric iron the field is not 75% covered, while electric refrigeration and cooking hold vast possibilities of exploitation, the surfaces of which have hardly been scratched.

Progress in the introduction of electric heaters, hot water systems, ranges and refrigerators is necessarily slow, not only because of the high initial cost but also because of, what at least appears to be, high operating expense. However, with a wider appreciation of the value of these devices and as they reach a more efficient and standardized stage in their development, their use is bound to reach what perhaps today seem to be Utopian heights.

The use of electrical appliances in homes has two important economic aspects to the utility selling energy. It greatly increases the average current consumed, and at the same time offers a more even and steadier demand for current, eliminating much of the daily and seasonal lag which are naturally the periods of unprofitable operation. It has been recently demonstrated that in a typical community, where the demands of the consumer using no appliances average less than 200 kw. hours per year, with one appliance in the home consumption rises to 250, with two to 375 and so on up to as high as 800 with nine. Moreover such increased consumption does much to straighten the daily consumption curve; as the use of the vacuum cleaner, washing machine and other equipment employed in the daylight hours make their heaviest demands when no lights are in use.

In the monthly chart of consumption somewhat the same result is achieved. In large portions of the country lengthening daylight hours in spring results in declining demand which continues to a minimum during the heat of July and August.

Obviously, these months are apt to be the most unprofitable insofar as residence service is concerned. In the well applianced home, however, demand is sustained throughout these periods by devices in daily use in summer as in winter. Particularly is this true of refrigerators, which naturally are called upon for their heaviest duty in precisely the period when heating and lighting equipment demand is at low ebb.

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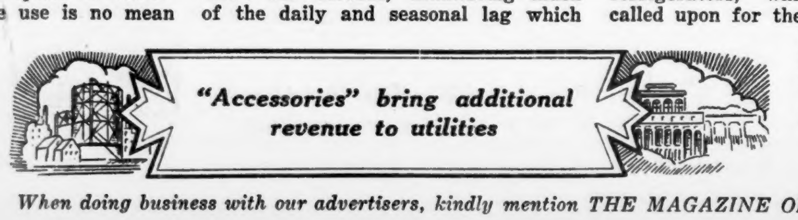


Investment Position of the Utilities

Increasing Volume of Business, Capital Investment and Net Earnings—Gas Industry Makes Tremendous Forward Strides—Electricity Still a Growing Giant—Are Electric Railways Turning the Corner?

By M. D. GOULD

AN interesting point of departure for a study of the present financial position of the public utilities as a whole is the following comparison of the total volume of public utility financing over a period of years:

Table I—Total Public Utility Financing

1919	$462,271,000
1920	496,823,000
1921	671,085,000
1922	980,434,000
1923	1,138,396,000
1924	1,529,639,000
1925	1,775,033,000
1926	1,973,897,000

The force of the steady onward surge of new capital into the utility industries indicated by the above figures is strengthened by a comparison of the rates at which it was financed, on the average, in comparison with the corresponding financing rates for two other favorite media of conservative investment, railroad securities and real estate:

Table II—Average Yield of New Offerings

Years	Public Utility	Railroad	Real Estate
1919	6.68%	5.92%	6.16%
1920	7.64	6.94	6.40
1921	7.45	6.09	7.29
1922	6.34	5.63	6.77
1923	6.31	5.51	6.49
1924	6.14	5.29	6.46
1925	5.81	5.28	6.29
1926	5.36	...	...

A large and increasing volume of new financing at steadily decreasing rates, both absolutely and compared with other investments, necessarily means a steadily improving financial position and earning power. This the utilities have been able to achieve in spite of what is today considered the greatest of business handicaps, a slow turnover of capital or low ratio of annual gross income to total capital investment.

While the average mercantile establishment turns over its invested capital anywhere from six to nine times a year, and a representative manufacturing concern once every year or two, the utilities have a typical turnover period of once in every eight years or so, depending on the type of service rendered and on the location, faster in the East, slower in the West. In other words, for each million dollars of capital invested, a utility can expect something like $125,000 (one-eighth) a year of gross income, out of which to pay operating and management expenses, depreciation, taxes, interest charges and sinking fund on bonds, and pay dividends on capital stock and leave something for surplus and reserves. This slow turnover is a permanent characteristic of the industry.

It is obvious that the proportion of net income that must be set aside for return on invested capital must therefore be higher than in the average business, that is, expenses, depreciation, etc., must be relatively lower. This can be proven mathematically in a simple way, as follows:

Let A be the annual gross revenues and B the annual net income after expenses, taxes, etc.
and C the capital investment.

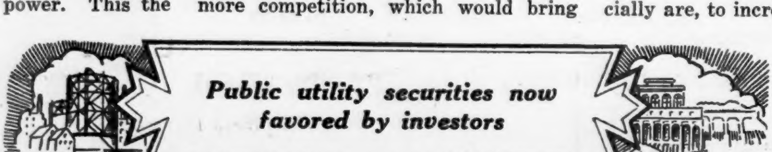
The ratio of net to gross will be $\frac{B}{A}$, and the turnover of capital, or proportion of gross sales to capital investment, $\frac{A}{C}$. It is a resonable assumption that the ratio of net earnings to capital, $\frac{B}{C}$, does not vary widely between one industry and another, taking account of differences in risk and losses; if one industry makes greater profits, it is subject to greater risks and consequently occasional losses which bring the net return down to the average. This must be so, for if one industry consistently yielded exceptional earnings, it would attract more capital and more competition, which would bring the return down, while if another should prove consistently unprofitable, capital would desert it and the decreasing competition would eventually bring the return up.

Now, $\frac{B}{C} = \frac{B}{A}$ times $\frac{A}{C}$, in other words, return on capital equals ratio of net to gross times annual turnover of capital. If we regard 8% as a normal return, it will tend to be achieved by an adjustment between these two factors. If the ratio of net to gross is 16% and the annual turnover ½ (capital turnover once every two years), or if the ratio of net is 40% and the annual turnover 1/5 (once every five years), the result will be the same, a return of 8% on invested capital.

We arrive at the further conclusion that the utility industry, being one of slow turnover, must therefore have a high net-to-gross ratio to enable it to yield an ordinary return on the capital invested. A ratio of 40 or 50% in a utility may not mean more than 8 or 10% in a manufacturing company's statement, and investors should not become over-enthusiastic on the basis of such a showing alone.

On the other hand, utilities do not need a strong "financial position" in the sense of ratio of current assets to current liabilities, since they do not normally need to borrow from the banks except to anticipate a bond issue, while their receipts come in daily or monthly in cash. In fact, public service commissions do not encourage utilities to pile up large liquid reserves as it all counts as property on which a return must be earned in accordance with the Constitution and the law. A recent study of utilities throughout the country showed that it was perfectly normal for a healthy utility company to have current assets amounting to only half its current liabilities, a condition which in an ordinary industrial firm would be considered highly dangerous. Investors should therefore not be scared off by such a "poor" showing alone.

In view of what has been said above, it will be clear that the two directions in which a utility can advance financially are, to increase its gross by stimulating sales or obtaining increased rates, and second, to improve the ratio of net earnings to gross by reducing operating



expenses through improved methods.

Increased sales activity has been the feature of 1926 for most public utilities. The feeling has been general that the astonishing technical improvements in production and distribution methods have gone far enough ahead to require greater merchandising effort to catch up to them, and personal salesmanship, advertising, floor selling in the company's office or salesroom, all have been speeded up in accordance with modern business practice.

A substantial part of this new business has been obtained from large industrial consumers. Such business is very satisfactory in many ways: it requires little bookkeeping, only a few meters to be installed and inspected, a relatively simple distribution system, and consequently lower rates than those to domestic consumers are charged to industrial users.

On the other hand, careful statistical analysis reveals that this tendency to increasing the industrial "load" tends to make volume of business more and more dependent on fluctuations in business prosperity. A householder will burn about as many electric lights or use the gas range about as often in good times as in bad; a pottery maker using gas for his ovens or a chemical plant using an electrolytic process will buy much more power in good times than in bad ones, or else may even close down entirely.

From a financial point of view, the stability of domestic demand which has been the backbone of the industry has enabled many utilities, especially in the newer parts of the country, to finance themselves by means of bonds and preferred stock, on the basis of earning power rather than asset value. In other words, being able to show steady and increasing earnings available for preferred dividends and interest charges, the common stock representing control could represent very little assets and all the remaining earnings after prior claims. Preferred stockholders and bondholders did not care, because the question of a decline in earnings or a "utility depression," which would bring to the fore the amount of asset equity behind senior stocks and bonds represented by the common stockholders' interest, has been hitherto purely an academic question.

Should the present trend continue, however, and industrial load continue to constitute an increasingly large part of total output, the utilities would be drawn more and more into the "business cycle," and investors in senior utility securities would have to insist on adequate protection in assets, as well as earning power, through actual cash investment by common stockholders. This in turn would profoundly modify the present system of holding company pyramids, all of which are built on the assumption that utility common stocks do not need to represent physical assets but only the control over residuary earning power involving stability of earnings.

Turning again to more immediate questions, the eternal problem of rates in the public utility industries has gone through some new phases, which have differed widely with different branches and in different sections. With the outstanding exception of New York, most cities have solved their electric railway rate situations by consenting to a "living rate." In the case of electric power and light, pressure has been brought to bear in at least one Eastern state which has led to voluntary reductions, a situation whose effects may spread further. Telephone rates are showing an upward tendency again, in spots, and rate readjustments in the gas industry are proceeding satisfactorily.

The other means of improving utility financial strength, reduction of expenses, will be taken up in connection with the more detailed study of the separate branches. On the whole, the record is excellent, and warrants the serious attention of the investor.

The following table compares the percentages of new financing which have gone into the various kinds of utility enterprise in recent years:

Manufactured Gas

Estimated financial results of the artificial gas industry for 1926, estimated by the writer from a number of official data, would indicate that of the gross revenues of $491,776,000 received last year, something like $118,000,000 was retained for net income from operations, about 24%, to which should be added about $35,400,000 for non-operating income, which, after deducting some $48,500,000 for interest charges and other deductions, would show nearly $111,000,000 available for dividends and surplus. It should be added that this gross income of some $472,000,000 was obtained from an estimated capital investment of $2,600,000,000, a capital turnover of once in a little over 5¼ years.

The increase in gross income amounting to 8.8% against the year before appears to be due in part to the increasing emphasis on the industrial load; the company operating in and around Chicago reports an increase in this type of business of 25% for the year. To balance the companies' business, however, more domestic business per capita is necessary, and hence the drive for more house-heating, gas refrigeration, incineration and perhaps eventually house air humidifying business.

Table III—Percentage of Total Financing

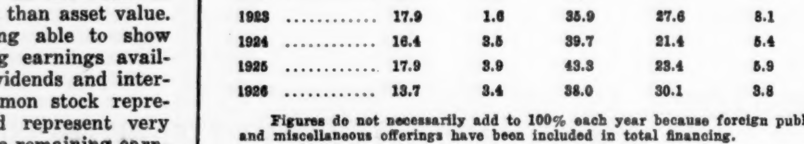
Year	Telephone & Telegraph	Gas	Gas & Electric	Electric	Railway & Electric	Railway	Water
1918	26.8	4.9	17.4	15.7	26.6	7.7	0.9
1919	12.2	2.3	38.6	25.4	17.7	2.7	1.2
1920	29.7	2.2	24.2	14.1	25.9	2.7	1.2
1921	24.9	5.5	20.7	20.5	21.1	2.8	0.8
1922	18.7	8.0	25.6	32.8	9.7	2.4	2.8
1923	17.9	1.6	35.9	27.6	8.1	6.8	2.0
1924	16.4	3.5	39.7	21.4	5.4	2.3	2.8
1925	17.9	3.9	43.3	23.4	5.9	2.5	3.1
1926	13.7	3.4	38.0	30.1	3.8	2.2	3.3

Figures do not necessarily add to 100% each year because foreign public utilities, steam and miscellaneous offerings have been included in total financing.

The great growth in new electric and combined gas and electric financing in recent years, and the marked decline in street railway and mixed electric and railway issues, are notable features of the comparison, as well as the comparatively sharp increase of water company financing and the relative falling off in the importance of new telephone and telegraph issues, due no doubt to the lower rate of growth of the latter's business, and the fact that new increments of business demand relatively small increments of new equipment in proportion to old equipment, as well as the ability of the telephone and telegraph industries to finance themselves out of surplus earnings to some extent.

The relations between the gas industry and oil on the one hand and coal on the other bid fair to dominate the future of the former. The old thesis that the oil resurves of this country are being rapidly exhausted and that a sensible diminution will be observed within ten years, while it may sound strange at the present time in view of the general complaints of oil over-production and declining prices, is being carefully considered by gas men.

The processes developed in Europe for the production of motor fuel, resembling gasoline, from coal by hydrogenation or otherwise offer a great opportunity to the gas people to strengthen the *(Please turn to page 444)*



Public Utility Security Suggestions

Bonds

1: FOR INCOME ONLY

Operating Companies

	Price	Yield
Connecticut Ry. & Lighting, 4½s, 1951	98	4.60
Brooklyn Edison, General, 5s, 1949	105	4.63
Montana Power, 1st & Ref. 5s, 1943	103	4.72
Detroit Edison, Gen. & Ref. "A" 5s 1940	103½	4.73
Consumers Power Co., 1st & Unif. 5s, 1952	103	4.77
Nebraska Power Co., 1st, 5s, 1949	103	4.78
N. Y. & Westchester Lighting, Gen. 4s, 2004	84	4.79
Commonwealth Edison, "B" 5s, 1954	103	4.80
South Jersey Gas, El. & Tr., 1st 5s, 1953	103	4.80
Public Service El. & Gas, 1st & Ref. 5s, 1965	103	4.83
Blackstone Valley Gas & El., "A" 5s, 1951	102	4.85
Consumers El. Lt. & Pwr., (New Orleans) 5s, 1936	101	4.85
Louisville Gas & El., 1st & Ref. "A" 5s, 1952	102	4.86
New York Edison, 6½s, 1941	116	4.87
Pacific Gas & El., Gen. & Ref. 5s, 1942	101½	4.87
Carolina Power & Light, 1st & Ref. 5s, 1956	102	4.87
Binghamton Lt., Ht. & Pr., 1st Ref. 5s, 1946	101	4.91
Indianapolis Gas, 5s, 1952	101	4.93
Public Service No. Ill., 1st & Ref. 5s, 1956	101	4.93
Alabama Power, 1st Ln. & Ref. 5s, 1956	101	4.95
St. Louis County Gas, "A" 5s, 1951	100½	4.96
Milwaukee El. Ry. & Lt., 1st & Ref. "B", 5s, 1961	100½	4.97
Empire District Electric, 1st & Ref. 5s, 1952	100	5.00
New Amsterdam Gas, 5s, 1948	100	5.00
Consol. Gas. & El. Lt. & Pwr. of Balt., 5½s, 1952	106½	5.06
Shawinigan Water & Power, 1st & Ref. 5½s, 1950	105½	5.08
Central Georgia Power, 5s, 1938	99	5.12
Indiana Natural Gas, 5s, 1936	99	5.14
Georgia Power, 1st & Ref. 5s, 1967	97½	5.15
Laclede Gas Light, 1st Coll. & Ref. 5½s, 1953	105	5.16
Los Angeles Gas & El., 5½s, 19[illegible]	103½	5.23
Central Power & Light, 1st 5s, 1956	96½	5.25
Seattle Lighting, Ref. 5s, 1949	96	5.31
Puget Sound Power & Lt., 1st & Ref. 5½s, 1949	102	5.34
N. Y. Steam Corp., 1st. 6s, 1947	106½	5.47
Washington Coast Utilities, 1st. 6s, 1941	104½	5.53
Kansas Gas & Elec., 6s, 1952	105½	5.58
N. Y. & Richmond Gas, 1st. 6s, 1951	105	5.62
Ohio Public Service, 7s, 1947	114½	5.75

2: FOR INCOME ONLY

Holding Companies

	Price	Yield
Columbia Gas & Elec. Corp., Deb. 5s, 1952	99½	5.03
American Water Wks. & El., Coll. 5s, 1934	99½	5.06
Massachusetts Gas Co., 5½s, 1946	104	5.18
Southwestern Pwr. & Lt., 1st. 5s, 1943	98	5.18
North American Edison, Deb. 5s, 1957	98	5.12
Public Service New Jersey, 6s, 1944	106½	5.41
Continental Gas & El., Ref. 6s, 1947	106	5.50
Standard Gas & El., 6s, 1935	101	5.82

3: FOR INCOME AND PROFIT

Operating Companies

	Price	Yield
Montreal Tramways, Gen. & Ref. 5s, 1955	96½	5.23
Texas Power & Light, 1st. & Ref. 5s, 1956	97	5.22
Jersey Central Pr. & Lt., Ref. "A" 5½s, 1945	101½	5.37
Mountain States Pwr., 1st Ref. 5s, 1938	97	5.38
Louisville Gas & El. (Ry.) Deb. "A" 6s, 1937	103½	5.54
Newport News & Hampton Ry. Gas & El., 1st. & Ref. 5s, 1944	96	5.53
Wisconsin Public Service, 1st Ln. & Ref. 6s, 1952	105½	5.58
Northern States Power (Minn.), 5½s, 1940	99	5.61
Brooklyn Manhattan Transit, 6s, 1968	99½	6.03
Phila. & Willow Grove St. Ry., 1st 4½s, 1934	91	6.10

4: FOR INCOME AND PROFIT

Holding Companies

	Price	Yield
Federal Lt. & Tract., 1st Ln. 5s, 1942	97	5.30
Consol. Cities Lt., Pr. & Tr., 1st Ln. 5s, 1962	90	5.67
Amer. Gas & El., Deb. 6s, 2014	105½	5.70
Amer. Water Wks. & El., Deb. 6s, 1975	103	5.81
Southeastern Pr. & Lt., "A" 2025 (ex-warrants)	101	5.94
Standard Gas & El. Co., Deb. 6s, 1951	101	5.95
Lehigh Pr. Sec. Corp., Deb. 6s, 2026	100½	5.97
Amer. Pr. & Lt., Deb. 6s, 2016	100	6.00
Central States El. Corp., Deb. 6s, 1945	97½	6.23

Preferred Stocks

5: FOR INCOME ONLY

Operating Companies

	Price	Yield
Cleveland El. Illuminating 6%	110	5.12
Pacific Telephone & Telegraph 6%	113	5.39
Blackstone Valley Gas & Elec. 6%	108	5.56
Pacific Gas & Elec. 6%	26	5.62
New York Telephone 6½%	114½	5.67
Bell Telephone of Penna. 6½%	113½	5.75
Dayton Pwr. & Lt. 6%	104	5.77
Rochester Gas & Elec. "C" 6%	104	5.77
Consol. Gas of Baltimore 6½%	112	5.80
Public Service of No. Illinois 6%	103½	5.80
Mississippi River Power 6%	102	5.88
Wheeling Electric 6%	102	5.88
Long Island Lighting 6%	101½	5.91
Southewestern Bell Telephone 7%	118	5.93
Los Angeles Gas & Electric 6%	101	5.94
Southern California Edison 6%	25½	5.95
Hudson & Manhattan 5%	83	6.00
Duquesne Light 7%	116	6.03
Niagara Falls Power 1¾%	29	6.03
Metropolitan Edison "C" 6%	99	6.06
Kentucky Utilities 6%	99	6.06
N. Y. Steam Corp. 6%	99	6.06
Conn. Lt. & Pwr. 7%	115	6.08
Northwestern Bell Telephone 6½%	107	6.08
Kansas City Pwr. & Lt. 7%	115	6.09
Alabama Pwr. Co. 7%	114	6.14
Niagara, Lockport & Ontario 7%	114	6.14
California Elec. Generating 6%	97½	6.15
New Jersey Pwr. & Lt. $6	97½	6.15
Ohio Bell Telephone 7%	112½	6.22
Kings County Ltg. "B" 7%	112	6.25
Fort Worth Pwr. & Lt. 7%	111	6.31
Long Island Ltg. 7%	111	6.31
Southwestern Pwr. & Lt. 7%	110	6.36
West Penn Elec. 7%	110	6.36
Birmingham Elec. $7	109	6.42
El Paso Elec. Co. (Del.) "A" 7%	109	6.42
Minnesota Pwr. & Lt. 7%	108½	6.45
Toledo Edison "A" 7%	108½	6.45
Kansas Gas & Elec. 7%	108	6.48
Syracuse Lighting 7%	107½	6.51
Idaho Power 7%	107	6.56
Northern States Power 7%	106	6.60
New Orleans Public Service 7%	105	6.67
Northern Indiana Gas & Elec. 7%	105	6.67
Pacific Power & Light 7%	104	6.73
Elmira Water, Light & Ry. 7%	103½	6.76
Iowa Railway & Light 7%	99½	7.03

6: FOR INCOME ONLY

Holding Companies

	Price	Yield
Electric Bond & Shore 6%	109½	5.48
Columbia Gas & El. Corp. 6%	106	5.66
American Pwr. & Light 6%	105	5.71
American Gas & Elec. $6	104	5.77
North American Co. $3	52	5.77
Philadelphia Co. $3	52	5.77
Commonwealth Power 6%	99	6.06
Public Service New Jersey 8%	131	6.10
Con. Gas of N. Y. (restricted) $3.5	57	6.15
Federal Light & Traction 6%	98	6.19
Standard Gas & Electric $4	62½	6.40

7: FOR INCOME AND PROFIT

Operating Companies

	Price	Yield
Georgia Railway & Pwr. 1st 7%	112	6.25
Adirondack Power & Light 7%	111	6.29
Utah Power & Light 7%	109	6.42
Virginia Elec. & Pwr. 7%	108½	6.45
Ohio Public Service 7%	108	6.48
Tennessee Electric Power 1st 7%	107	6.54
Central Illinois Public Service 6%	91	6.59
Appalachian Electric Power 7%	106	6.60
Pennsylvania-Ohio Pwr. & Lt. 7%	105	6.67
Penn-Ohio Edison 7%	104	6.73
Arkansas Light & Power 7%	104	6.75
Brooklyn-Manhattan Transit $6	86	6.98
North Carolina Public Service $7	101	6.93
Pennsylvania-Ohio Electric 7%	101	6.93
Vermont Hydro-Electric Part. 7%	98½	7.11

8: FOR INCOME AND PROFIT

Holding Companies

	Price	Yield
Middle West Utilities $7	110	6.36
National Power & Light $7	107	6.54
Southeastern Power & Light $7	106	6.60
Engineers Public Service $7	104	6.73
Electric Power & Light $7	103	6.80
Cities Service Power & Light 7%	102½	6.83
Utilities Power & Light 7%	97	7.22
Continental Gas & El. Partic. 6-8%	108½	7.37
International Utilities Corp. $7	93	7.53

Common Stocks

9: OPERATING COMPANIES

	Price	Div.	Yield
Edison Elec. Illum. of Boston	251	$12	4.27
Con. Gas, El. Lt. & Pwr. of Balt.	58	2½	4.31
Brooklyn Union Gas	114	5	4.38
Brooklyn Edison	167	8	4.79
Consolidated Gas of New York	103	5	4.85
Pacific Telephone & Telegraph	138	7	5.07
Commonwealth Edison	152	8	5.26
Pacific Gas & Electric	37	2	5.40
Detroit Edison	147	8	5.45
Public Service Nor. Illinois	141	8	5.67
Peoples Gas Light & Coke, Chi.	140	8	5.71
New England Tel. & Tel.	130	8	6.15

10: HOLDING COMPANIES

	Price	Div.	Yield
United Gas Improvement	105	4	3.80
American Light & Traction	257	10	3.89
Western Union Telegraph	163	8	4.90
Public Service of New Jersey	40	2	5.00
Middle West Utilities	112	6	5.36
Columbia Gas & Electric	93	5	5.38
American Telephone & Telegraph	167	9	5.39
Standard Gas & Electric	61	3.5	5.74

(*Continued from page* 440)

control of coal mines and coke and by-product ovens which many gas companies have already under way, helped by the relatively strong financial position of the gas industry as against coal. To date progress has been slow, because gas companies which desire to engage in the production of coke and by-products must find a market for the coke at a per ton price at least equal to that of the original coal (allowing for a 25% shrinkage in process) to make up for the high cost of installation and operation of coke and by-product ovens, even after selling their gas and other products of coal distillation.

Should they develop the production of motor fuel on a serious scale, they would have an enormous demand to keep their plants busy in summer, which would enable them to press vigorously their sales efforts for such uses as are marked only in winter, like house heating, and thus equalize their load throughout the year.

The increased utilization of existing equipment would also keep down the cost of overhead per unit of gas sent out, and thus reduce the operating ratio. For these reasons the outlook for the gas industry seems pregnant with the most astounding possibilities, and investors should consider carefully the desirability of purchasing sound common stocks representing substantial equities in this industry.

Natural Gas

Data for this industry are less complete than for manufactured gas, but indications are that domestic consumption is growing at an average rate of about 4% a year, while industrial business is growing at a much more rapid but irregular rate, total production increasing at the rate of about 8% a year in the last ten years.

For the latest year available, industrial consumers, while numbering only 18,000 against over 3¼ millions of domestic users (a figure which has since been raised to over 3,600,000), used 730 billions of cubic feet of gas against only 278 billions for domestic consumers, and consequently received a rate of 13.4 cents a thousand cubic feet against 51.1 cents a thousand for household use; the tendency has been for rates to increase in general. Thus the industrial users, while taking 160% more than the domestic buyers, contributed 30% less to the companies' gross income, and total estimated gross of $238,000,000 represents only 6% on the estimated $4,000,000,000 of the industry's capitalization.

Because of the nature of the business, however, the assets consist largely of gas field acreage and pipe-lines, aggregating 66,000 miles according to a recent estimate. Some of this acreage is estimated to be good for forty-five or fifty years, much of it for considerably less, even if we assume no change in the present rate of exhaustion. Considerable difference of opinion is therefore possible as to the valuation of such assets in company balance-sheets and capital structure, and even as to the earning power, depending on greater or less conservatism in deducting for depletion of gas and depreciation of equipment (particularly pipe-lines, which cost much to install but are worth little when the field which they serve is exhausted due to the high cost of labor in taking up and relaying).

It would therefore seem exceptionally difficult in the case of natural gas to describe the position of the industry as a whole, but the steady growth, and the fact that the domestic load still contributes the larger portion of the dollar revenue, if not of the gas sendout, assure a high degree of stability.

Electric Power and Light

A financial summary of 1926 for this industry would indicate gross revenues of $1,684,000,000 against an invested capital of $8,400,000,000, a capital turnover period of five years. Operating expenses for the year are estimated at $735,000,000, leaving $949,000,000, or 56% of the gross, available for interest and sinking fund, depreciation, taxes, etc., as well as dividends and surplus.

Because of the stability of the industry, and the large capital investment per dollar of sales, the industry has always financed itself to a large extent with bonds, funded debt at the beginning of the year amounting to $5,040,000,000, or 60% of the entire capitalization. The development of the industry's funded debt has gone parallel with the development of net earnings, but the ratio has shown some interesting variations in recent years, as indicated

Table IV—Entire Industry

Jan. 1	Funded Debt	Net Earnings	Ratio
1920	$2,460,000,000	$442,750,000	5.50:1
1921	2,640,000,000	512,000,000	5.15:1
1922	2,880,000,000	590,550,000	4.90:1
1923	3,120,000,000	692,670,000	4.50:1
1924	3,480,000,000	736,510,000	4.70:1
1925	3,960,000,000	845,400,000	4.70:1
1926	4,500,000,000	949,000,000	4.75:1
1927	5,040,000,000	1,033,000,000	4.90:1
		8-year average,	4.90:1

by the accompanying figures, which indicate a relatively high degree of stability.

The increasing amount of funded debt necessary to obtain a dollar of net earnings emphasizes the importance of the estimate that only 10% of the potential sales market has been covered. In this respect nothing near saturation is to be expected for many years to come. One of the great factors in the growth of the electric lighting industry has been the steady trend of population from the country to the cities, for the denser the population in a given area the greater the demand and the cheaper the utilization and distribution of electric current. A turning-point appears to be approaching in this tendency, due to better prices for farm products and consequent improvement in farmers' earnings.

The increase in industrial load has been phenomenal, however, and a substantial increase in railway electrification appears imminent.

Of the $1,395,000,000 of central station securities sold last year, only about $540,000,000 went to increase total funded debt, as the decline in interest rates during the year stimulated the calling of bonds and refunding by new ones bearing a lower interest rate. This tendency should increase earnings available for dividends on the common, and because of the pyramid-holding company type of financial structure which characterizes a large part of the industry, this effect should be amplified relatively in terms of earnings per share on the final holding company common stock.

Simplification of financial structures in many cases and the admission of public utility securities to the "legal for savings banks" lists of several states, with definite steps toward this goal in others, were other financial gains of the year. Recently, several western states admitted certain utility bonds to the "legal" list and the movement in this direction is spreading.

Improvement in earnings has brought the prices of many stocks representing the industry back into an attractive relation to earning power; fixed interest-bearing securities have been steadily closing up the gap which separated their yields from those of comparable bonds and preferred stocks of the older and better-known railroad industry.

Electric Railways On its estimated investment of $6,000,000,000, the electric railway industry of the country showed gross revenue amounting to $1,150,000,000 or a turnover of once in five years, at an operating expense of $768,000,000, a ratio of nearly 70%; in other words, about 30% of gross was saved for net. According to the statements of 231 roads, interest charges and other deductions amounted to over 80% of this total, although such charges were reduced by 3% in the course of the year as a result of recasting of financial structures.

It is also highly significant that only

45 out of these 231 companies paid dividends in the course of the year.

While operating revenues increased 2½% last year, operating expenses increased still faster, so that the net gain in revenue amounted to less than 6/10 of 1%. Taxes remained high, absorbing 6¼% of gross, in addition to miscellaneous charges for paving, lighting, sprinkling, etc., which vary widely with the different franchise provisions.

The relatively unsatisfactory results indicated above were obtained in spite of an increase of 1.64% in total passengers carried and of 3.46% in bus and car mileage covered. The difficulties seem to be summed up in excessive taxes and insufficient rates. Average fares per passenger amounting to 7.1 cents were the same as the previous year, against a war average of 5.27 cents, an increase of 35%. Against this, the cost of materials used has gone up 53% during the same period, and the cost of wages 110%, a weighted average of 95%, due to the predominance of labor costs in operating expenses. To maintain the 1912 balance, rates should be up 56%, it is estimated, in other words, to an average of 8.22 cents, or 1.12 cents per passenger higher than the average of last year.

Readjustments in this respect are still taking place, the different subdivisions of the electric railway industry faring very differently in this respect. The lines operating in the larger cities showed a somewhat smaller income available for interest charges (1.63% less), but net income after interest was 8.93% higher for the year due to the reduction of interest charge mentioned above. In the medium-sized cities, income before interest was 2.21% higher, but interest charges, instead of declining, were actually 5.1% higher for the year, resulting in a decline in net income of 6.08%. Lines operating in the smallest cities of all and having a gross income of less than $250,000 a year fared worst of all, but fortunately represent a very small part of the industry.

Urban lines on the whole made some money, but interurban lines remained unprofitable, while mixed city and interurban lines suffered a decline in income of 63% against the previous year.

While certain lasting financial benefits were accomplished during the year from the reduction in interest charges and the growing co-operation rather than competition with buses (last year 353 companies owning 78% of the entire 40,000 miles of track in the country reported bus mileage at nearly 6% of the entire mileage of trolleys and buses), the situation is not as yet by any means clear for the industry as a whole. *In many individual instances, bargains are available in the senior securities, particularly first closed mortgage obligations of prospering systems and lines, and in time perhaps even preferred and common stocks may be of interest to the conservative investor, but with very few exceptions for the present interest should be confined to bonds.*

NATION'S YOUNGEST INDUSTRY ON VERGE OF REAL EXPANSION

(*Continued from page 383*)

nues until sufficient passenger traffic has been developed to put the projects on a paying basis.

Another factor which has helped to put aviation ahead is the recent interest of long-headed business men and patient capital in the young industry. These men recognize the difficulties that confront the industry here. Having no direct subsidies to fall back on they have been compelled to seek the kind of capital that is willing to wait a long time for an investment return. In the air transport business there are three factors, dependability, safety and profits, and one can be obtained only at the expense of the other. The type of business men who have taken the helm of the new air transport companies fortunately recognize that as a sound business proposition, profits must be delayed for the sake of safety and dependability.

The air mail record for dependability is truly phenomenal. On the trans-continental route, for example, flying day and night on regular schedule in fog, wind, rain or snow, a performance of 93½% was shown on a total of 1,860,190 miles flown—in other words, only 6½% off the scheduled time for taking off and arriving. The Over-Night Service from New York to Chicago during the month of July, 1926, established the unprecedented record of 100% performance — covering 45,226 miles as scheduled without delay or mishap that could not be made up to complete the schedule.

The year 1927 will go down in the history of American commercial air transportation as the year in which the break was made from air passenger traffic experiments to the inauguration of real honest-to-goodness air passenger routes. An established cabin passenger service has been opened this year between New York and Boston, making one trip each way on scheduled time daily. Two "short-line" routes, previously referred to, maintain a daily cabin passenger service between Philadelphia and Washington and on the West Coast between Los Angeles and San Diego.

Before the end of the Summer, regular cabin passenger service will be opened over the trans-continental air way between New York and Chicago. The time scheduled for this service will be approximately half the time now elapsing on the several "crack train" services between the two cities. Through an arrangement with the American Express Company and the Pennsylvania Railroad, freight will be carried as well as passengers. The company which will operate this service has taken over the Government Air Mail contract between New York and Chicago, as well as the Chicago to St. Louis leg of the Trans-continental Air Mail Service, and at present operates the air mail from Chicago to Dallas. As soon as possible regular passenger and freight service on scheduled time will be extended over all of these routes.

The lack of proper equipment has been one factor that held back passenger air service in the past. It is one thing to point to the impressive records over the air mail routes for safety and regularity in soliciting passenger traffic and another to make the passenger feel safe after he has been put in an open cock-pit in a leather coat and goggles with the air racing through his hair a hundred miles a hour. What the air transport industry in this country needs is a few good transportation men. Perhaps some can be borrowed from the railroads—men who understand the business end of passenger solicitation and can help the American people to shake off their "air shyness."

The limited experience of the infant air passenger companies have virtually nothing to show as yet in the way of traffic statistics on which any intelligent study of the finances of such projects can be based. The passenger rates on these lines are roughly something like three times the cost of the best train service on the short runs and on the longer runs as now projected will be about double the fare on special delux trains. Freight rates, so far unannounced are expected to work out on a somewhat similar basis. In Europe the passenger rates are within reaching distance of the first class train fares between the various points serviced. This rate differential, of course, holds the air passenger service to the necessity of developing its own traffic, for, unlike the European companies, they will not be in a position for a long time to compete with the railroads.

The tremendous interest in the trans-Atlantic flights which is slowly pervading down even into such an unspectacular branch, as commercial air transportation, is a God-send to the new companies now about to inaugurate service on a business-like basis. The next twelve months will see a great portion of the nation served by the new air trunk lines and the already rapid pace of transportation in this country will be still further accelerated. The boom of quick trans-continental service already experienced by business through the Air Mail Service will be carried one step further by the addition of passenger and freight service along the same routes. American business men seem ready to welcome these new facilities now about to become operative and the nation's youngest industry appears to be on the verge of doing big things.

WHAT IS "FAIR VALUE" FOR RATE-MAKING?

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money income four times as great as the increase in prices. The returns would be wholly inordinate and would inject speculation into the entire field of railroad and public utility finance.

Effect of Falling Prices But the real evil would appear during falling prices when the bonds and preferred stockholders would still get their contractual money return. The cash return to the common stock would diminish four times as fast as the fall in prices. A 25% decline below the actual investment level would bring insolvency. A descent like that after the Civil War up to 1897 would produce the utmost financial disorganization. It would not only ruin the common stockholders, but would destroy the credit of the companies, would cause disorganization of service, prevent the provision of new capital as needed, and would bring injury to other industries dependent upon steadily developing utilities with expanding public needs.

Space forbids further consideration of the economic chaos that would be produced under the reproduction cost basis during falling prices. Consider a decline of 45%, and remember that this is not inconceivable since we are now on a higher level of prices than at any time for a century except for peak-war or immediately post-war years. The great majority of electric light and power companies which have developed with enormous strides during the past six years, would collapse. The telephone companies with their huge investment at high prices, would follow suit. No utility would escape the blight of impoverished stockholders, impaired credit, and inability to meet its public functions.

Reproduction cost as a rate base and the enormous investments with limited money incomes fixed by contract, are incongruous economic elements. They cannot be maintained together without the consequences above outlined. If utilities were financed wholly or chiefly by common stock, there could be no serious objection to reproduction cost if administered through index numbers. But in the face of the prevailing financial structures, reproduction cost involves the greatest economic dangers.

Advantages of Actual Cost Let us now consider the actual cost basis. From an administrative standpoint, after a valuation has once been made the rate base would thereafter be shown as a definite sum. The rights of the investors and the public would be exactly stated by the accounts. Changes in rates could be made promptly upward or downward without dispute. No new mode of adjustments would be required. Prevailing accounting methods would be sufficient for effective administration.

From the financial standpoint, all capital would be limited to the dollar basis. The 25% of common stock as well as the 75% of other securities would lose or gain alike in purchasing power with changing price levels just as the 75% of bonds and preferred stocks do in any case. But there would be no distorting cumulative effect upon the minority group with the speculative or ruinous consequences. The return to all security holders would be practically guaranteed. The great certainty of return would attract new capital as needed, but the rate of return would have to be sufficient at each point to attract the needed funds. If the system of regulation would assure the return promised at each point as the investment is made, there would be sufficient capital at all times to meet the needs of growing business.

On broad economic grounds as a long run policy, there can be no doubt that actual cost furnishes the proper rate base from every standpoint of approach. It is financially the sound basis of regulation. Reproduction cost is unsound. It furnishes great immediate advantages to a company which has a large proportion of its properties installed at lower price levels. Also for purposes of consolidation, for the

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extension of the holding company groups, for refinancing, for obtaining control with little cash investment, for sheer speculation—for all such purposes reproduction cost has great present allurement. Actual cost is forbidding to all these activities.

For all public utilities, however, which are owned and operated for sound investment and for public service, the stability of actual cost is beyond economic dispute. The reason for the strenuous support of reproduction cost by particular interests is thoroughly understandable. But on the part of conservative investment bankers, utility managers, and business leaders outside of the utilities, the support of reproduction cost is based upon lack of understanding what is fundamentally involved. Their attention has been directed upon only one economic factor. They have not considered the other factors which cannot be avoided.

From a sound business and financial standpoint, unless the railroads and utilities were completely recapitalized through common stock, the establishment of reproduction cost would be an enormous economic mistake. Its evils cannot be overstated. It would be indeed the irony of fate if reproduction cost were to be definitely fixed upon the industry at the very time when we are at the threshold of falling prices, and when its evil consequences would come immediately upon the expected beneficiaries of the reproduction cost system.

HOW BUS TRANSPORTATION IS BEING LINKED UP WITH ELECTRIC RALWAYS

(*Continued from page* 435)

1922 and 1926 (estimated of *California Transit Company*, which in the four-year period has shown a steady growth and increase of earnings:

CALIFORNIA TRANSIT COMPANY

	1926	1922
Passenger revenue......	$1,958,400	$811,042
Transportation revenue..	2,033,400	843,871
Net operating revenue...	381,000	109,291
Passenger miles	65,280,000	27,034,718
Gross revenue per passenger	$1.63	$1.05
Net revenue per passenger	$ .320	$ .142
Net transportation revenue per mile.......	$ .062	$ .03772
Total assets	$3,500,000	$909,540

Far from Defeat The electric railway industry is far from being near defeat. It has had to face a difficult period. Some of its members were eliminated, but they were in many instances only the weaker ones. Edward F. Loomis, secretary of the National Motor Truck Committee of the National Automobile Chamber of Commerce found that the average length of single track of 54 electric railways which completely suspended operation and were not substituted by any other kind of transportation, was about 9 miles. They were, in the main, the so-called "marginal" companies, which were built in sparsely-settled territory where the expected traffic failed to develop in sufficient volume.

Other companies saw their net falling off in greater or less degree. But conditions are improving, and it looks as if the electric railway industry is going through a similar experience as the gas industry when for a while the wider use of electricity for lighting purposes threatened its prosperity and even its existence. But after a few years of uncertainty gas discovered new demands in other directions and as a further help, the production of gas and electricity was in many cases brought under one control. Nowadays gas securities are again among the most desired.

That is what is happening to the electric traction business at present. It is modernizing itself and its equipment, and in addition treats the motor bus not any longer as its enemy but as a friend. Combined under able and progressive management, they cannot fail but should be able to hold their own and show constantly improving results. But the wise investor will guard himself against such companies that do not understand the times and believe a negative attitude to be the proper defense against the modern motor bus.

HOW PUBLIC UTILITY COMPANY ORGANIZATIONS HAVE DEVELOPED

(*Continued from page* 416)

the turn of the tide in favor of public utilities, the opportunity was made possible for promoters to create new organizations, for it has been a very easy affair to sell almost any form of bond issues in the last five years. Little can be said about some of these newer combinations because of the limited information concerning them. The larger number of these will undoubtedly be sooner or later absorbed by the larger existing groups.

By 1905 the various types of public utility holding companies had been fairly well established and maintained a fairly steady growth. The establishment of the public utility commissions and regulatory statutes, beginning with New York in 1909, were brought into existence in nearly all of the states within the next five years and undoubtedly tended to retard mergers and consolidations. The climax of this first era of rapid expansion culminated in 1911, along with the general decline of business that continued up to 1915. However, a number of new small power projects were built after 1910. Some of these were not well placed as to the markets, others were expensively constructed and, as a consequence, had a top-heavy capitalization structure. The greater number of them had discounted the development of their markets too far in advance. Undoubtedly, but for the abnormal war demand for power a greater number of these companies would have gone into receivership than actually did.

Transition Period The other public utilities, particularly street railways, fared less well. Cost which has been steadily rising and had already made itself felt by 1915 now mounted at a very rapid rate. Public Utility Commissions clung tenaciously to the old established rates, without rhyme or reason, though some were restricted by the legislation which had created them. This condition, together with the make-shift financing which some of the unsound companies were compelled to use, forced a considerable number of these companies into receivership. Fortunately, the quick changes which followed in rapid succession in two or three years soon placed the most of the public utilities on a strong footing with a return to public favor.

While gross revenues had been increasing, even during this difficult period for public utilities, net profits did not keep apace. But with the rate increases following the war and the subsequent economic recovery of the country, net profits began to mount rapidly. This improvement again encouraged utility interests to take advantage of

these earnings, as well as build larger units that could be operated more economically in the future and to that extent insure their earnings. The growth of utilities, which had been going on at a rather measured pace for several years, began in 1919, with a slight interruption in 1921, to increase at an abnormal rate. In 1926 the rate of this growth showed some abatement and public utilities have given their chief attention to the refinancing and the readjustment of their organization and capitalization structures.

With the rapid development and the varying character of capitalization structures which could not be adjusted at the time they were taken over, the combined capitalization structure of the holding company and its subsidiaries has not unfrequently been somewhat awkward. The stronger public utilities which have not already corrected this situation are now in the process of simplifying their capitalization structure. This adjustment could not have come at a more opportune time. With the increase of earnings and the decreasing cost of money, these public utilities are at the present not only easily adjusting their capitalization structures but gradually eliminating their high coupon rate bonds.

Though the holding company means solidarity, efficiency in operation, with the consequent advantage in the long run to the public in better service and cheaper rates, there is an inherent danger in it for the weak holding company structure. Instead of following the practices of such a holding company as the American Light and Traction, which carefully selected its properties and followed conservative practices in management and financing, some of these companies have built up a holding company on extraordinarily thin equities. In other words, they have pyramided their earnings. Consequently, any slight change in the rates of their subsidiaries or a falling off in subsidiary earnings will very quickly wipe out the entire earnings of the holding company. One of these companies, which has pyramided up seven times above a part of its subsidiary properties, now shows its interest charges earned six times over, while certain of its subsidiaries have only earned their interest charges slightly over two times. If the latter should drop to one and one-half times, the amount available to the holding company would scarcely meet its interest charges.

The present movement can be defined as one which is undertaking to maintain the principle of the holding company, but endeavoring to simplify its corporate and financial structure, together with the construction of large operating plants strategically located. Along with this will also develop the inter-communication of service between different organizations in order to meet their peak requirements and to protect themselves against emergencies. Improvement in the technique will undoubtedly facilitate this movement—

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New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1926 High	Low	1927 High	Low	Last Sale 6/22/27	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	172	91¾	186⅝	161¾	180¼	7
Do. Pfd.	106¾	96	102⅛	75	102	72	103	99⅜	102⅛	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	205	174⅞	186½	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	109¾	27⅝	124⅞	106½	117⅝	6
Do. Pfd.	96	77¼	80	48¼	73⅞	38⅛	83	73¼	80½	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	70⅞	58½	58½	4
Do. Pfd.	..	..	..	..	89¾	31⅜	88	85½	85½	6
Canadian Pacific	283	165	220⅛	126	170⅞	101	192½	165	180	10
Chesapeake & Ohio	92	51⅛	71	35⅝	178⅝	46	190	151¾	180½	10
Do. Pfd.	..	..	..	..	171	96	168	158	†178½	7⅛
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	3¼	17⅝	9	17	..
Do. Pfd.	181	130½	143	62⅛	76	7	33¼	18⅝	32½	..
Chi. & Northwestern	198½	123	136⅞	35	105	45⅞	92½	78⅜	87⅞	4
Chicago, R. I. & Pacific	..	..	45¾	16	71¼	19⅛	115	68½	112⅝	5
Do. 7% Pfd.	..	..	94¾	44	108	64	111¼	102¾	†106¾	7
Do. 6% Pfd.	..	..	80	35¾	98	54	103⅞	95¼	100¼	6
Delaware & Hudson	200	147⅛	159⅛	87	183½	83¼	230	171⅛	220	9
Delaware, Lack. & W	340	192½	242	160	260½	93	173	140¼	164	‡6
Erie	61¼	33½	59⅛	18¾	42	7	57⅜	39½	52½	..
Do. 1st Pfd.	49¾	26¼	54¾	15⅛	55¼	11⅛	62¼	52⅜	58⅛	..
Do. 2nd Pfd.	89⅛	19½	45⅝	13⅛	50¼	7⅛	60⅛	49	56¾	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	92⅞	79⅝	91¾	5
Hudson & Manhattan	..	..	..	..	41½	20⅝	65⅞	40½	57⅜	2½
Illinois Central	162⅛	102¾	115	85¾	131	80⅞	134¼	121⅛	129½	7
Interboro Rap. Transit	..	..	..	..	53¾	9⅛	52⅛	33	37½	..
Kansas City Southern	50¼	21⅜	35⅛	13½	51⅜	13	63⅛	41¼	60⅝	..
Do. Pfd.	75½	56	65⅛	40	68¾	40	70⅛	64⅞	†70	4
Lehigh Valley	121¼	62½	87⅛	50⅝	106	39⅛	137½	99¾	127	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	144⅜	128⅜	†141	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	47⅛	*¾	56½	31½	52¼	..
Do. Pfd.	*78¼	*46	*60	*6½	96⅜	*2	105⅝	95¾	104¾	6
Missouri Pacific	*77½	*21⅛	38½	19⅞	45	8¼	62	37⅞	57¼	..
Do. Pfd.	..	..	64⅞	37½	95	22¼	111⅛	90⅛	107⅛	..
N. Y. Central	147¾	90⅜	114¼	62½	147½	64⅛	156⅝	137¼	152	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	125⅜	[illegible]	[illegible]	11
N. Y., N. H. & Hartford	174¾	65⅝	89	21⅛	48⅜	9⅝	58⅝	40⅝	53⅝	..
N. Y., Ontario & W.	55⅜	25⅛	35	17	34¾	14¼	39⅛	23¼	36¾	1
Norfolk & Western	119⅛	84¼	147⅛	92⅝	170⅞	84¼	187¼	156	182	8
Northern Pacific	150⅛	101¾	118⅞	75	99⅞	47⅞	91⅛	78	88½	5
Pennsylvania	75⅝	53	61⅛	40¼	57⅛	32¼	65	56¾	62⅞	3½
Pere Marquette	*36⅛	*15	38⅛	9½	122	12⅛	140¾	114½	126½	‡6
Pittsburgh & W. Va.	..	..	40⅜	17¾	135¼	21⅛	174	122	153	6
Reading	89⅝	59	115⅛	60⅛	108	51⅞	123¾	94	117¾	‡4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	42½	40½	41⅞	2
Do. 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	50	43¾	47½	2
St. Louis-San Fran.	*74	*13	50½	21	103½	10¾	117¼	100¾	113⅛	‡7
St. Louis Southwestern	40⅜	18⅛	32⅛	11	74	10⅞	93	61	89	..
Seaboard Air Line	27⅛	13¼	22⅜	7	54¼	2⅛	41¼	28⅛	36⅛	..
Do. Pfd.	56⅛	23⅛	58	15⅛	51⅛	3	43⅜	32½	†38½	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67⅛	116⅜	106¼	113½	6
Southern Railway	34	18	36¾	12½	131¼	24¾	130½	119	126½	7
Do. Pfd.	86⅞	43	85¼	42	95½	42	99⅛	94	98	5
Texas & Pacific	40½	10¼	29½	6⅛	70½	14	102⅛	53⅞	101	..
Union Pacific	219	137¾	164⅜	101¼	168⅜	110	181¼	159½	172½	10
Do. Pfd.	118½	79¾	86	69	81¼	61¼	84½	77	†82¼	4
Wabash	*27⅞	*2	17⅛	7	52	6	81	40½	76	..
Do. Pfd. A	*61¾	*6⅛	60½	30⅞	78¾	17	101	76	100¼	5
Do. Pfd. B	..	..	32⅞	18	72	12¼	97	65	†95	5
Western Maryland	*56	*40	23	9¼	18⅜	8	67⅞	13¾	59½	..
Do. 2nd Pfd.	*88¼	*53½	*58	20	*30	11	67½	23	†57	..
Western Pacific	..	..	25½	11	40	12	47⅛	25⅛	45¾	..
Do. Pfd.	..	..	64	35	86½	51⅛	76⅜	55	68	..
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	32	6	130	27½	†85	..
Do. Pfd.	..	..	50⅝	16⅝	53½	9¼	97	47½	†80	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1926 High	Low	1927 High	Low	Last Sale 6/22/27	Div'd $ Per Share
Adams Express	270	90	154½	42	136	22	147	124	147	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	13	7½	8⅜	..
Allied Chem. & Dye	..	..	..	..	148⅞	34	147¼	131	142⅝	6
Do. Pfd.	..	..	..	..	122¾	83	122¼	120	†121½	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	97¼	26⅛	111⅝	88	106⅛	6
Do. Pfd.	43	40	92	32½	111½	67	112½	109	111⅜	7
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113¾	7⅛	14⅝	8⅛	10½	..
Do. Pfd.	105	90	103⅛	89⅛	103	18	51¾	28¼	36¾	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24⅛	25⅝	18⅛	†20¼	..
Am. Bosch Magneto	..	..	..	..	143⅞	28	18⅝	13	15⅞	..
Am. Can	47⅜	6⅞	68⅛	19¼	*297⅜	*21¾	56¼	43⅝	55½	2
Do. Pfd.	129¼	98	114⅛	80	130⅛	72	133	126	†131¼	7
Am. Car & Foundry	76½	36⅛	98	40	*201	97½	109¼	99½	102⅝	6
Do. Pfd.	124¾	107½	119½	100	130¼	105¾	124¾	126⅛	129¾	7
Am. Express	300	94¾	140⅛	77½	175	76⅛	144	127	139½	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	10⅛	7⅝	†10¼	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅝	29¾	63⅛	48	63	..
Am. Ice	..	..	49	8⅞	139	37	137¼	114⅛	131	8
Am. International	..	..	62¾	12	132¼	17	55½	37	51	2
Am. Linseed Pfd.	47¾	20	92	24	113	4¼	74⅞	46⅜	60⅜	..
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	116	105¾	109¾	8
Do. Pfd.	122	75	109	93	124¼	96½	124	119½	†122	7
Am. Metal	..	..	..	..	67⅝	38¾	44	39¾	39¾	3
Am. Radiator	*500	*200	*445	*235	*345	64	131	110½	122¾	5
Am. Safety Razor	..	..	..	..	76¾	*3½	61½	47	†47	3
Am. Ship & Commerce	..	..	..	..	47½	4¾	6⅝	3⅛	4½	..

Price Range of Active Stocks

INDUSTRIALS—*Continued*

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1926 High	Post-War Period 1919-1926 Low	1927 High	1927 Low	Last Sale 6/22/27	Div'd $ Per Share
Am. Smelt. & Ref.	105⅛	56⅝	123¾	50¼	152	29¼	167⅛	132⅝	158	8
Do. Pfd.	74½	24⅛	95	44	50	18	126⅞	119¼	124	7
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅜	63¼	48¾	41½	48	3
Do. Pfd.	..	..	..	..	115	78	115	113	†111½	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	95¾	79	90	5
Do. Pfd.	133½	110	123½	106	119	67⅛	116½	107⅞	†112	7
Am. Tel. & Tel.	153⅜	101	134½	90⅝	151	92⅛	172⅜	149¼	163⅞	9
Am. Tobacco	*530	*200	*256	*123	*314½	82⅛	139⅛	120	133½	8
Do. Com. B	..	..	..	..	*210	81¼	138¾	119¼	133¾	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	98	62⅛	92⅝	1.60
Am. Woolen	40⅝	15	60⅞	12	169¼	19	33⅜	16⅛	20	..
Do. Pfd.	107¾	74	102	72½	111⅞	66	86½	46⅞	48⅞	..
Anaconda Copper	54⅜	27½	105⅝	24¼	77⅞	28½	49½	43¾	43¾	3
Associated Dry Goods	..	..	28	10	*140½	46½	44⅞	39½	42½	2½
Do. 1st Pfd.	..	..	75	50½	102½	49⅞	104	97½	†104	6
Do. 2nd Pfd.	..	..	49½	35	110	38	108	105	†108	7
Atl. Gulf & W. Indies	13	5	147¾	4⅛	192⅝	9¼	42	30⅜	37¾	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	41¼	29¾	38	..
Atlantic Refining	..	..	..	..	*1575	78½	125⅝	107	115	4
Austin Nichols	..	..	..	..	40⅜	7⅛	10¼	4¼	5	..
Do. Pfd.	..	..	..	..	95	50⅝	61	30¼	†26	..
Baldwin Locomotive	60¾	36½	154½	26⅝	167¾	62¼	229	143⅛	225¾	7
Do. Pfd.	107½	100¼	114	90	119¼	92	123¾	116	†118½	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	56¼	43¾	49¼	..
Do. 7% Pfd.	80	47	186	68	108	78	111⅛	104¾	109¼	7
Brooklyn Edison Electric	134	123	131	87	163	82	176	148⅛	166¾	8
Brooklyn Union Gas	164½	118	138¾	78	*128	41	118	89⅝	115	5
Burns Brothers	45	41	161½	50	147	76	125¾	85⅛	91	10
Do. B	..	..	..	..	53	17	28⅛	16¼	20¼	2
Butte & Superior	..	..	105¼	12¼	37⅞	6⅛	11¾	7¾	†8⅛	2
California Packing	..	..	50	30	*179½	48¼	70	60⅛	62	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	32⅞	21⅛	22⅝	2
Central Leather	51¾	16½	123	25⅞	116½	9⅝	17⅞	8⅜	15⅜	..
Do. Pfd.	111	80	117½	94⅞	114	28⅛	77½	54	72	..
Cerro de Pasco Copper	..	..	55	25	73½	23	63⅛	59	59¾	4
Chile Copper	..	..	39¼	11¼	38⅜	7	39¼	34⅜	34⅝	2½
Chrysler Corp.	..	..	..	..	*253	*108¼	51¾	38⅛	47¾	3
Do. Pfd.	..	..	..	..	111⅞	100⅛	111	102⅜	109	8
Coca Cola	..	..	..	..	177¾	18	119⅛	96⅛	115⅛	5
Colorado Fuel & Iron	53	22⅛	66½	20½	56	20	92⅜	42⅝	86	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	98¾	82⅞	93⅞	5
Congoleum-Nairn	..	..	..	..	*184⅜	12⅛	22⅜	17¼	18⅛	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	85⅛	75⅞	83½	7
Consolidated Gas	*165¼	*114⅛	*150⅛	*112½	*145¾	56¾	109⅛	94	101¾	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	73⅛	58⅜	71⅜	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21⅛	63⅛	46⅞	54	‡2
Do. Pfd.	98½	61	113½	58⅛	130¼	96	132¼	128	132	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	96¾	77	†85	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅝	10⅜	8	†8⅝	..
Do. Pfd.	..	..	100½	77¼	87	13⅛	50¾	36¾	37⅜	..
Cuban-American Sugar	*58	33	*273	*38	*605	10⅞	20⅛	22¼	23¼	1
Cuyamel Fruit	..	..	..	..	74½	32	37	30	36	..
Davison Chemical	..	..	..	..	81¼	20⅜	34½	26¼	31⅜	..
Dupont de Nemours	..	..	..	..	*360	105	253⅞	168	242⅞	‡8
Eastman Kodak	*No Sales		*605	*605	*690	70	153¾	126¼	153¼	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	79½	63¼	67½	‡5
Endicott-Johnson	..	..	..	..	150	44	72⅜	64¾	69	5
Do. Pfd.	..	..	..	..	120	84	121⅛	116⅜	†120	7
Fisk Rubber	..	..	..	..	55	5⅛	20	14⅞	15⅝	..
Do. 1st Pfd.	..	..	..	..	116½	33⅛	89⅜	81	85	7
Fleischmann Co.	..	..	..	..	*171½	*75	59	46⅛	54⅝	3
Foundation Co.	..	..	..	..	183¾	58⅛	88⅝	55⅛	56⅛	5
Freeport-Texas	..	..	70½	25¾	64⅜	7⅛	74¾	34	68⅜	‡4
General Asphalt	42⅞	15½	39⅜	14¼	160	23	96¾	72½	75½	..
General Cigar	..	..	..	..	*115¼	46	66⅛	52	66¼	4
General Electric	188½	129¾	187¼	118	*386½	109⅛	108⅛	81	105	‡4
General Motors	*51¾	*25	*850	*74½	225¾	*8⅛	205½	145⅛	200⅞	‡8
Do. 7% Pfd.	..	..	..	..	122¼	95⅛	124¼	118½	123	7
Goodrich (B. F.) Co.	86½	15½	80¼	19⅝	93⅜	17	58¾	42¾	54	4
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62⅛	103½	95	99	7
Goodyear T. & R. Pfd.	..	..	..	..	114⅝	35	117⅞	98⅛	113⅝	7
Do. Prior Pfd.	..	..	..	..	109⅞	88	112	105	109¾	8
Granby Consolidated	78¼	26	120	58	80	12	45	31⅛	37⅛	4
Great Northern Ore Ctfs.	88½	25⅛	50⅜	22½	52¾	18	23¼	18⅛	18⅞	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	64	49	†49¼	5
Hayes Wheel	..	..	..	..	52⅞	17⅛	28⅛	15½	25⅛	..
Houston Oil	25⅛	8	86	10	116½	40½	166⅛	60⅛	159	..
Hudson Motor Car	..	..	..	..	139½	19½	88⅞	48¼	82¾	3½
Hupp Motor Car	..	..	11	2½	31	4⅝	23⅝	19	19⅝	1.40
Inland Steel	..	..	..	..	50	31⅛	53¼	41	49½	2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	25½	13¾	14	..
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	89¾	53⅛	84½	4
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	64	43⅛	44	2
Inter. Harvester	..	..	121	104	158⅛	66¾	188	135⅜	183¾	6
Inter. Merctl. Marine	9	2⅛	50⅝	⅝	67¾	4⅞	8¾	6¼	7⅞	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	55⅜	37	49½	..
Inter. Nickel	*227¼	*135	57½	24½	48½	24¼	75	38¼	63⅝	2
Inter. Paper	19¾	6⅛	75½	9½	91¾	27⅞	60⅞	39½	42⅛	2
Kelly-Springfield Tire	..	..	85	36⅞	164	9	28⅝	9½	23	..
Do. 8% Pfd.	..	..	101	72	110	33	75⅜	35	†68½	..
Kennecott Copper	..	..	64¼	25	64¼	14⅝	66⅝	60	62⅝	5
Kinney (G. R.) Co.	..	..	..	..	103	35⅛	45	21¼	†26	..
Lima Locomotive	..	..	..	..	74⅞	52	76⅜	62	66	4
Loew's, Inc.	..	..	..	..	48⅜	10	63⅞	46⅞	52⅛	2
Loft, Inc.	..	..	..	..	28	5⅛	7⅝	6	6	..
Lorillard (P.) Co.	*215⅛	*150	*239⅞	*144½	*245	27¾	34¼	23½	31¼	..
Mack Trucks	..	..	..	..	242	25⅛	118¾	88¼	103½	6
Magma Copper	..	..	..	..	46	26⅛	37⅞	29½	35⅛	3
Mallinson & Co.	..	..	..	..	45	8	18	11½	16¾	..

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New York Stock Exchange

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Pre-War Period 1909-1913 Low	War Period 1914-1918 High	War Period 1914-1918 Low	Post-War Period 1919-1926 High	Post-War Period 1919-1926 Low	1927 High	1927 Low	Last Sale 6/22/27	Div'd $ Per Share
Maracaibo Oil Explor	..	..	..	..	37½	16	22¾	13⅛	13½	..
Marland Oil	..	..	..	..	63⅝	12⅛	58⅛	34½	34⅝	..
May Department Stores	*88	*65	*97½	*35	*174¾	*60	73⅞	67⅛	68⅞	4
Mexican Seaboard Oil	..	..	..	..	34⅛	5¾	9¼	5	5	..
Miami Copper	30¼	12¾	49¾	16⅛	32¾	8	16⅛	13⅛	14	1½
Montgomery Ward	..	..	..	..	82⅛	12	70	60⅝	65⅝	4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	138	94¾	132⅜	5
National Dairy Prod	..	..	..	..	81⅞	30⅛	64⅛	59⅛	63⅛	3
National Enam. & Stamp	30¼	9	54½	9	89½	18⅛	35⅜	19⅛	30	..
National Lead	91	42½	74⅝	44	181	63½	106	95	101	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	50	40⅜	45⅞	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	50⅛	34	†47	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	52½	45⅝	48⅞	§10%
Do. Pfd.	..	..	..	..	52¼	31⅞	52¼	50	51⅝	3
Packard Motor Car	..	..	..	..	48½	9⅞	37½	33¾	35⅛	2.40
Pan.-Am. Pet. & Trans	..	..	70¾	35	140¼	38⅛	65⅞	56⅛	57½	6
Do. Class B	..	..	..	..	111¾	34½	66¾	56⅜	58	6
Param't-Famous Players Lasky	..	..	..	..	127½	40	114¾	101⅛	101⅛	8
Do. Pfd.	..	..	..	..	124½	66	124¾	116½	117	8
Philadelphia Co.	59	37	48⅝	21⅛	91	26⅛	110	85¼	†100	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34⅛	47⅝	41	41⅛	..
Phillips Petroleum	..	..	..	..	69⅝	16	60¼	39¾	41¼	3
Pierce-Arrow	..	..	65	25	99	6⅛	23⅝	12⅞	15	..
Do. Pfd.	..	..	109	88	127¼	13⅛	102⅛	56	62¾	8
Pittsburgh Coal	*29⅜	*10	58⅜	37½	74⅝	29	74½	32¾	59⅛	..
Postum Cereal	..	..	..	..	*134	*47	105¾	92⅝	103½	5
Pressed Steel Car	56	18⅛	88	17¼	113¾	34⅛	70	36⅛	†57	..
Do. Pfd.	112	88½	109⅛	69	106	67	92½	76½	88	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	45⅛	38	40¾	2
Pullman Company	200	149	177	106½	199½	87¼	195½	172¼	182	8
Punta Alegre Sugar	..	..	51	29	120	24¾	46⅞	34⅛	37⅛	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	33½	26	26¼	1½
Radio Corp. of Am.	..	..	..	..	77⅞	25⅞	56¾	41⅛	53⅝	..
Ray Consol. Copper	27⅛	7⅛	37	15	27⅛	9⅞	15⅛	14⅜	14⅜	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	75⅞	56⅛	65⅞	4
Do Pfd.	111¼	64½	112⅝	72	106¾	74	106	96⅝	104	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	54⅛	48⅛	49	1.33
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	72½	48	51	4
Schulte Retail Stores	..	..	..	..	*134⅞	*88	55⅛	47	53⅛	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	*54¼	59½	57	58⅛	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	47⅞	43⅝	†45¾	.967
Shell Union Oil	..	..	..	..	31	12⅛	31¾	25⅜	27	1.40
Simmons Company	..	..	..	..	54⅝	22	51	33⅛	48¼	2
Simms Petroleum	..	..	..	..	28½	6⅛	22¾	15⅝	16	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	22⅜	16⅛	16⅞	..
Skelly Oil	..	..	..	..	37⅛	8⅝	37⅜	25	26⅞	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19⅛	143⅛	32½	134¼	123¼	†123½	6
Standard Oil of Calif.	..	..	..	..	*135	47½	60¾	50⅜	53⅜	2½
Standard Oil of N. J.	*448	*322	*800	*355	*212	30⅞	41⅜	35⅛	36¾	1
Stewart-Warner Speed	..	..	*100½	*43	*181	21	68¼	54¼	62½	6
Stromberg Carburetor	..	..	45¼	21	118¼	22½	54½	26⅛	33	2
Studebaker Company	49½	15¾	195	20	*151	30½	57	49¼	49⅞	5
Do. Pfd.	98⅛	64½	119⅛	70	125	76	122	118	†118	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	13¼	8⅛	8⅜	½
Texas Co.	144	74½	243	112	58	29	58	45	47½	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	66¾	49	63⅝	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	18⅞	12	14½	.60
Tide Water Oil	..	..	225	165	*195	5½	19⅛	15½	16⅛	1.20
Timken Roller Bearing	..	..	..	..	85⅜	28½	106¼	78	100¾	‡4
Tobacco Products	145	100	82⅜	25	116⅝	45	111⅜	93	102½	7
Do. Class A	..	..	..	..	118⅜	76	116½	108	112	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	9¾	3¾	8¾	..
Union Oil of Calif.	..	..	..	..	58⅜	33	56½	39⅝	42	2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	100	82	91	‡2
United Drug	..	..	90⅞	64	175⅛	46¼	182⅞	159	†166	9
Do. 1st Pfd.	..	..	54	46	59	36⅝	60	58½	59	3½
United Fruit	208½	126½	175	105	*294	95¾	135½	113⅛	128⅛	‡4
U. S. Cast I. Pipe & F.	32	9¼	31⅞	7¾	250	10⅛	246	202	227	10
Do. Pfd.	84	40	67½	30	118	38	116	112	†116	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35⅛	89	69	80⅛	5
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17	66⅝	54	60¾	4
U. S. Rubber	59½	27	80½	44	143¾	22½	67⅛	37¼	40½	..
Do. 1st Pfd.	123½	98	115½	91	119½	66½	111⅜	85¾	89¾	8
U. S. Smelt., Ref. & Min.	59	30⅜	81½	20	78¼	18⅜	42	33⅜	†35½	3½
U. S. Steel	94⅞	41¼	136⅝	38	160½	70¼	125⅞	111⅜	120¾	7
Do. Pfd.	131	102½	123	102	130¾	104	133½	129	132⅞	7
Utah Copper	67½	38	130	48½	116	41⅛	115½	111	†116	6
Vanadium Corp.	..	..	..	..	97	19⅛	52½	37	47½	3
Western Union	86¼	56	105½	53⅜	157⅞	76	170½	144½	162	8
Westinghouse Air Brake	141	132½	143	95	146	76	179⅜	133⅛	173	7
Westinghouse E. & M.	45	24¾	74⅞	32	84	38⅞	77¾	67⅝	74⅝	4
White Eagle Oil	..	..	..	..	34	20	27½	22	23⅛	2
White Motors	..	..	60	30	104½	29¼	58⅜	37	38	4
Willys-Overland	*75	*50	*325	15	40¼	4⅛	24⅜	18⅛	19	..
Do. Pfd.	..	..	100	69	123⅞	23	95	87	90	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	32⅞	16¼	22	..
Woolworth (F. W.) Co.	*177⅞	*76½	*151	*81½	*345	72½	145¾	117¾	141	5
Worthington Pump	..	..	69	23½	117	19	46	20½	39½	..
Do. Pfd. A	..	..	100	85⅞	98½	44	61⅛	46	60	..
Do. Pfd. B	..	..	78⅜	50	81	87¼	54⅛	40	51	..
Youngstown Sh. & Tube	..	..	..	..	95¼	59¾	97¼	85	85	5

* Old stock. † Bid price given where no sales made. ‡ Not including extras. § Payable in stock.
a Paid this year.

ATLANTIC COAST LINE

(Continued from page 389)

and carried at $3,438,000 or only a little over $20 an acre.

As respects the Interstate Commerce Commission, Coast Line and its allied roads have fared rather better than usual. Thus the parent road's value based upon the tentative report figures out not very far under $200 a share and well over if the investment in Louisville & Nashville be written up. In the same way the preliminary valuation of the latter company indicates a worth of close to $200 against a book value of $163, while its subsidiary, the Nashville, Chattanooga & St. Louis comes out at about $380 a share.

There is no danger of the system being dismembered. System number 11 of the Interstate Commerce Commission's tentative grouping contains all the lines presently controlled by Coast Line with the addition of some others. At such time as the background of consolidations is cleared by expediting legislation, this system should be one of the first to work out a complete merger. Before trading shares with Louisville & Nashville, Coast Line might very properly do something special for its stockholders.

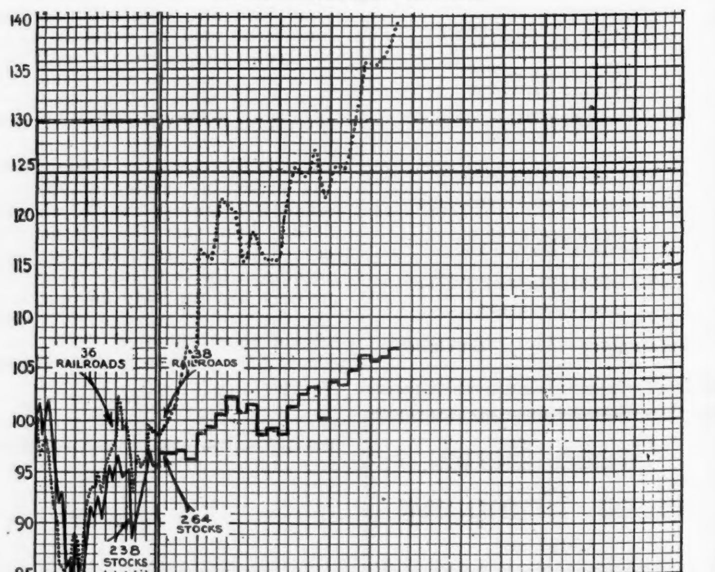
The $10 dividend being currently paid is made up of $7 regular and $3 in extras, the full amount requires but half of available earnings, while something extra has been declared in every year beginning with 1924, so the disbursement may no doubt be regarded as fixed, unless a very drastic setback in revenues were to take place. This is just about what the market price of the shares have discounted. It now appears, however, that no such occurrence is likely to take place. Earnings are presently running at the rate of about $17 against the $20 showing of 1926. Last year the big months occurred in the first half and the poor months in the last half. This year the process will probably be reversed and for the full 12 months 1927 earnings should equal those of 1926. *At 185 Coast Line common is decidedly undervalued.*

THE MAGAZINE OF WALL STREET'S COMMON STOCK PRICE INDEX

(1925 Closing Prices = 100)

Number of Issues in Group	Group	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low	Recent Indexes June 11	Recent Indexes June 18	1926 Indexes (238 Issues) Close	1926 Indexes (238 Issues) High	1926 Indexes (238 Issues) Low
264	COMBINED AVERAGE	107.0	95.7	106.3	107.0H	95.7	102.0	83.1
38	Railroads	139.3	98.5	136.6	139.3H	98.5	102.2	84.3
4	Agricultural Equipment	74.1	63.4	67.7	66.6	69.8	111.9	61.8
2	Alcohol	140.3	82.1	140.3H	139.3	83.6	103.2	56.6
12	Automobile Accessories	88.9	79.3	88.9	88.1	81.0	104.4	78.0
16	Automobiles	76.8	70.9	73.6	74.6	76.4	104.0	66.7
3	Baking	83.6	63.0	66.6	70.9	82.0	108.6	69.2
3	Business Equipment	155.7	108.5	155.7H	155.0	108.5	109.3	82.2
5	Chemicals & Dyes	127.4	107.3	122.7	122.3	107.3	111.5	92.0
9	Construction & Bldg. Mat'l..	90.5	77.9	90.5	86.9	84.4	101.4	71.0
3	Containers	102.9	93.5	102.9	102.6	100.1	110.8	85.7
10	Copper	122.1	111.9	113.0	111.9	118.7	122.8	91.6
2	Dairy Products	80.0	61.0	64.3	65.0	80.0	(Begun 1927)	
4	Department Stores	77.7	70.4	75.6	76.0	78.7	101.0	67.6
4	Drugs & Toilet Articles......	170.3	147.3	170.3H	167.9	152.5	159.1	100.0
7	Electric Apparatus	98.7	91.6	95.8	96.6	96.1	105.2	86.8
8	Foods & Beverages...........	77.9	72.0	75.8	75.8	76.9	101.2	72.3
3	Furniture	106.6	89.1	104.0	101.8	91.6	121.0	80.7
2	Leather	103.2	69.8	99.9	96.6	69.8	102.4	68.6
2	Mail Order	90.9	82.8	90.0	90.9	88.0	101.6	75.0
5	Marine	113.4	74.0	103.5	106.9	79.6	110.8	73.0
2	Meat Packing	74.8	55.1	57.2	57.4	74.4	102.6	69.6
5	Metals	95.2	81.9	94.2	91.7	81.9	105.7	78.1
7	Miscellaneous	110.6	96.7	109.8	110.5	100.0	(No record)	
3	Paper & Publishing	175.5	150.4	171.5	169.5	150.4	187.8	75.5
35	Petroleum	103.5	86.9	95.0	98.1	95.3	102.3	85.2
11	Public Utilities	114.2	93.1	110.4	110.0	96.3	102.0	82.4
1	Radio	125.9	97.2	114.9	118.1	123.6	139.5	78.8
8	Railroad Equipment	117.1	100.3	114.8	114.9	101.4	103.3	84.8
1	Real Estate	101.3	88.5	91.6	101.3	94.4	102.8	74.3
5	Recreation	120.3	109.2	110.2	109.2	115.2	18.2	98.6
6	Rubber	91.4	64.4	76.2	76.7	64.4	114.3	59.8
13	Steel	97.3	83.9	94.7	93.6	83.9	100.6	78.8
4	Sugar	112.7	98.6	103.0	101.5	112.0	116.1	92.5
2	Sulphur	290.4	166.1	280.9	278.5	166.1	170.0	100.0
2	Telephone	117.5	104.6	117.5H	116.2	104.6	105.6	97.3
3	Textiles	107.5	71.9	89.2	102.9	92.5	104.6	57.7
9	Tobacco	154.5	144.8	151.4	154.5H	147.8	148.3	94.5
5	Traction	142.4	126.4	135.7	135.3	127.5	136.9	94.0

H—New HIGH record since 1925.



(An unweighted Index of weekly closing prices, specially designed for investors. The 1927 Index includes 264 issues, distributed among 36 leading industries; and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

(*Continued from page* 453)

how far is of course till conjectural.

Whenever industry or commerce has experienced a period of very rapid expansion, agitation for some forced form of new legislative control has come forward. It would not be unusual, therefore, if we should be confronted with some form of Federal legislation before long as a result of the recent great activity of public utility development coupled with the inter-state character of its holding companies. How soon this will develop and what turn it may take is problematic. It will undoubtedly come.

Customer Ownership There is, however, a condition which exists in the utility industry that gives it an advantage not previously enjoyed by any other industry. We refer here to customer ownership. Through this means not only have the public utilities a source of income but they are building up a public relationship which is of unlimited value in securing fair treatment from legislators. The "political monger" who is attempting to add to his own glorification by fair or unfair means is now much less likely to foist an issue onto the public utilities unless he has some basis of fact upon which to stand.

The public utility management which conceived the plan and carried it out must be given high praise. It offers for a part of the financing of a public utility unlimited funds. But at the same time this form of financing places greater responsibility than ever on the public utility management. On the other hand, with these conditions, which have broadened the knowledge of the public and given them a better understanding of public utility problems, the future outlook for the well-managed public utility securities is indeed a bright one.

APPLIANCES IMPORTANT SOURCE OF UTILITY REVENUE

(*Continued from page* 436)

Gas Sales Benefit Also Turning now to the gas field we find the appliance is practically the entire picture in present-day consumption. The electric light has all but vanquished gas illumination; but the universal adoption of the gas range in city and small town alike, has more than compensated for the loss. While it is true that the greatest possibilities probably lie in the industrial

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For articles to appear in the next issue see page 367

MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	20 Indus.	20 Rails.	High	Low	Sales
Thursday, June 9	90.75	170.85	137.15	166.53	164.78	2,422,885
Friday, June 10	90.67	170.21	136.46	165.45	163.14	2,037,451
Saturday, June 11	90.67	170.63	136.29	164.40	163.07	983,210
Monday, June 13	Holiday		Holiday		Holiday	
Tuesday, June 14	90.50	167.63	133.70	163.17	159.48	2,479,640
Wednesday, June 15	90.58	168.78	135.36	163.21	160.15	2,068,070
Thursday, June 16	90.70	170.26	136.39	165.16	163.02	2,301,040
Friday, June 17	90.66	170.15	137.04	165.29	163.70	2,154,117
Saturday, June 18	90.65	169.85	136.91	164.98	163.82	979,940
Monday, June 20	90.70	169.50	136.65	164.57	163.11	1,896,410
Tuesday, June 21	90.69	169.87	136.12	164.15	161.89	1,729,455
Wednesday, June 22	90.52	169.50	136.13	164.32	162.79	1,754,946

(*Continued from page* 459)

applications of this smokeless and efficient fuel, the potentialities of household consumption are far from exhausted. The hot water heater is steadily gaining in popular favor, house heating by gas has yet to achieve the place which it justly and will some day occupy, and at the same time gas is destined to share in the coming wide acceptance of domestic refrigeration.

In short we may view gas and electricity as complementary rather than competitive services in household application; serving similar functions in many cases perhaps, but each finding its place in accordance with economic conditions, and each relying heavily on the appliance load as its major column of support.

ANSWERS TO INQUIRIES

(*Continued from page* 401)

and was recently in receipt of orders from the Navy Department in connection with the completion of two scout cruisers. However, the greater portion of gross is derived from electrical equipment manufactures, and in that branch of activities the company is in competition with two strongly entrenched organizations, the General Electric Co. and Westinghouse Electric & Mfg. Co. Latest balance sheet, dated September 30, 1926, discloses a sound financial condition, total current assets being 11.4 millions, including 3.3 millions cash and marketable securities, against 2.13 current liabilities, leaving 9.27 millions net working capital. Annual statement covering year 1926 is expected shortly, preliminary estimates placing earnings at a figure equal to $3.50 per share of participating stock against $2.97 in the preceding year. However, it is likely that actual figures will show a revision downward, and profits in the current year to date are understood to have shown considerable falling off. The uncertain situation has been reflected in omission of dividends on the preferred stock as well as on the participating stock. We are inclined to believe you would do well to liquidate your present holdings until the situation more definitely shapes itself.

AMERICAN CYANAMID

I am a stockholder in American Cyanamid having 100 shares which I bought in several lots on an average of about 41. What do you think of the company's outlook? Do you think the extra dividend points to an increase in the regular?—M. A. K., Morristown, New Jersey.

American Cyanamid Co. Manufactures cyanamid, a nitrogenous fertilizer material. It also produces heavy chemicals. Capitalization consists of 55,959 6% cumulative preferred stock of $100 par value; 65,943 class A common stock, and 263,772 class B common, both the latter of $20 par value. Latest financial statement covers the

(*Continued from page* 460)

fiscal year ended June 30, 1926, when $3.99 per share on the combined class A and B common was reported, preceded by comparative earnings of $2.47 in 1925; $3.37 in 1924; $4.68 in 1923; and nothing in each of the years 1922 and 1921. Latest balance sheet shows a comfortable financial condition, total current assets being 5.1 millions against 1.7 millions current liabilities, leaving 3.4 millions net working capital. Cash and marketable securties aggregated 1.11 millions, and bank loans stood at 400 thousand. While definite operating results for the fiscal year just closed are not available conditions affecting the company's line have not been favorable to an extent to warrant the expectation of substantially increased profits over previous year. On June 7 directors increased dividends to the regular annual rate of $1.20 per share compared with the 80c annual rate previously prevailing, and usual quarterly extra of 10c per share was maintained. Aggregate dividends of $1.60 a share annually, including regular and extras, may be regarded as conservative on the basis of the company's demonstrated earning power over a period of years, and shareholders would seem warranted in considering the total of $1.60 more or less of a fixture. We regard the future of company sufficiently favorable to justify holding the stock for income and eventual price recovery.

CORN PRODUCTS REFINING

As a subscriber to the Magazine I am writing for advice about Corn Products stock which I bought last year at $37 a share—buying 50 shares. I can now buy 50 shares more. Would you approve of this?—S. E. I. R., Albany, New York.

Based on present 2.53 million comcon shares outstanding, earnings of Corn Products Refining have ranged from $4.32 in 1923 to $2.16 in 1925, recovering to $3.88 in 1926. Profits in the first quarter of 1927 equaled 91 cents per share against 90 cents in the corresponding period of 1926. Latest balance sheet discloses an exceptionally sound financial condition. Total current assets were 53 millions against current liabilities of 5.8 millions, leaving 47.2 net working capital. Cash, call loans and marketable securities aggregated 36.1 millions. There were no bank loans, and inventories were smallest since 1920. Of importance to the company is the condition of the corn and raw sugar markets. Lower levels for corn means cheaper raw material and higher prices of raw sugar results in increased cost to manufacturers of competing products. Sugar prices have shown firmness, but corn has advanced considerably, thus reversing in some the degree the promise held forth of substantially increased profits for the year 1927. However, it is the policy of the company to buy corn only up to the amount of its orders, and with a continuation of high prices finished products are likely to be priced at higher levels, thus preserving the margin of profit. While we hesitate to

(*Please turn to page* 464)

Important Corporation Meetings

Company	Specification	Date of Meeting
Allis-Chalmers	Com. Div.	7-1
Atlantic Refining	Pfd..Div.	7-1
General American Tank Car	Directors	7-1
American Beet Sugar	Directors	7-5
American Express	Directors	7-5
Artloom Corp.	Directors	7-5
Associated Oil	Directors	7-5
Atchison, Top. & Santa Fe Ry	Directors	7-5
Barnet Leather	Directors	7-5
Borden Co.	Directors	7-5
Century Ribbon Mills	Directors	7-5
Columbian Carbon	Dividend	7-5
Exchange Buffet	Dividend	7-5
Fox Film Corp.	Directors	7-5
Franklin, Simon & Co.	Directors	7-5
General Asphalt	Directors	7-5
Loose-Wiles Biscuit	Directors	7-5
Oppenheim, Collins & Co.	Directors	7-5
Timken Roller Bearing	Directors	7-5
Western Electric	Directors	7-5
Western Pacific R.R.	Directors	7-5
White Sewing Machine	Pfd..Div.	7-5
American Water Works & Elec.	Pfd. & Com. Divs.	7-6
Certain-teed Products	Directors	7-6
Cluett, Peabody	Com. Div.	7-6
Federal Light & Traction	Directors	7-6
Kelsey Wheel	Pfd. Div.	7-6
Oil Well Supply	Directors	7-6
Pere Marquette Ry.	Directors	7-6
St. Louis-San Francisco	Directors	7-6
West Penn Electric	Directors	7-6
Westinghouse Elec. & Mfg.	Directors	7-6
Amer. Brown Boveri Electric	Directors	7-7
American Machine & Fdy.	Pfd. Div.	7-7
Eastman Kodak	Directors	7-7
Lehigh Valley R.R.	Directors	7-7
Magma Copper	Directors	7-7
May Dept. Stores	Directors	7-7
Reynolds (R. J.) Tobacco	Directors	7-7
Union Oil of California	Dividend	7-7
United Gas & Improvement	Directors	7-7
U. S. Rubber	Directors	7-7
Great Western Sugar	Special	7-8
Simms Petroleum	Directors	7-8

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recommend fresh commitments at present, you might do well to retain the shares now held with a view to developments.

AMERICAN WOOLEN

What is the matter with American Woolen that it has not made money although general business has certainly been good as indicated by the consumption of cotton and wool in the last several years. Was the announcement by the directors the first that the public knew the preferred dividends had not been earned in three years? I am a big loser by the drop in this company's stock having bought it at 93 in 1925. What shall I do? V. S., New York, N. Y.

Following a profit of 6.66 millions applicable to preferred dividend requirements in the year 1923, results from operations of American Woolen Co. in the year 1924 show a deficit close to 7 millions, a profit of 944 thousand in 1925, and a deficit of 4.22 millions in 1926. The aggregate of the last three-year deficit, after preferred dividend requirements, is approximately 22 millions. It has long been public knowledge that directors were compelled to dip into surplus to maintain preferred dividends in each of the three years ended with 1926. Difficulties of the situation reflect an unfavorable price level of the company's various lines, and rather than continue operation of unprofitable mills, production is estimated to have been reduced about 10% through the closing down of a number of plants. At the close of 1926 current assets totaled approximately 76 millions against current liabilities of 16 millions, leaving 60 millions net working capital. Cash rose from 5.87 millions at the end 1925 to nearly 7 millions on December 31, 1926, and bank loans were reduced from 11.87 millions on December 31, 1925, to slightly in excess of 6 millions at the end of 1926. Thus, financial condition showed improvement in the late year, but in the face of the failure to develop substantial and lasting earning power over a period of recent years directors were obviously justified in omitting dividends on the preferred stock in order to conserve assets so far as it was in their power to do so. The outlook is surrounded by considerable uncertainty, and we see no incentive to retain the common stock.

MONTGOMERY-WARD

Is there any likelihood of Montgomery-Ward increasing its dividend? I have a very interesting profit on the stock you advised me to buy last year. I paid 51 for it. Do the company's earnings at the present rate justify a higher rate? —A. T. C., Concord, New Hampshire.

Despite a volume of sales for the year 1926 in excess of 183 millions, compared with slightly over 170.6 millions in 1925, earnings of Montgomery-Ward declined from $8.40 in the earlier year to $6.25 in 1926. This decline has been in reflection of increased operating expenses in connection with the introduction of new merchandising methods and other charges against income account. Sales in the current year to date are running between 6% and 7% under the corresponding period of 1926, but due to increased efficiency in operations,

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Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$8	Am. Sm. & Ref. com.	$2.00	Q	7-8	8-1
$3	Am. Steel Fdys. com.	$0.75	Q	7-1	7-15
$2½	Assoc. Dry Gds. com.	$0.63	Q	7-9	8-1
$4	Bon Ami A	$1.00	Q	7-15	7-30
$4	B'klyn-Manh. Tr. com.	$1.00	Q	7-1	7-15
$6	B'klyn-Manh. Tr. pf.	$1.50	Q	7-1	7-15
$3	Canada Dry Ging.	$0.75	Q	7-1	7-15
$4	Chicago Yell. Cab	$0.33⅓	M	7-20	8-1
$5	Columb. G. & El. com.	$1.25	Q	7-20	8-15
$6	Columb. G. & El. pf.	$1.50	Q	7-20	8-15
$6	Cruc. St'l of Am. com.	$1.50	Q	7-15	7-30
$6	Elec. Bond & Shr. pf.	$1.50	Q	7-12	8-1
$2.40	Fair, The, com.	$0.20	M	7-20	8-1
7%	Fair, The, pf.	1¾%	Q	7-20	8-1
$6	Firest. T. & Rub. com.	$1.50	Q	7-10	7-20
$4	Freeport Texas	$1.00	Q	7-1	8-1
..	Freeport Texas	$0.25	Q	7-1	8-1
$6	General Motors pf.	$1.50	Q	7-5	8-1
$6	General Motors deb.	$1.50	Q	7-5	8-1
$7	General Motors pf.	$1.75	Q	7-5	8-1
6%	Int'l Paper pf.	1½%	Q	7-1	7-15
7%	Int'l Paper pf.	1¾%	Q	7-1	7-15
$3	Johns-Manv. com.	$0.75	Q	7-1	7-15
$1.60	Loose-Wil. Bisc. com.	$0.40	Q	7-11	8-1
7%	McCrory Stores pf.	1¾%	Q	7-20	8-1
$5	Macy, R. H.	$1.25	Q	7-29	8-15
$6	Mo.-Kan.-Tex. Ry. pf.	$1.50	Q	7-15	8-1
$40	Michigan Central	$20.00	SA	7-1	7-29
$3	Mid-Cont. Petr.	$0.75	Q	7-1	8-1
$2	Miller Rubber	$0.50	Q	7-5	7-25
$3	N. Y. Air Brake com.	$0.75	Q	7-7	8-1
$8	N. Y. Central R. R.	$2.00	Q	7-1	8-1
$6	St. Louis-San Fr. pf.	$1.50	Q	7-15	8-1
$7	Southern Ry. com.	$1.75	Q	7-1	8-1
$3.60	Thompson, J. R.	$0.30	M	7-22	8-1
$4	United Gas Impr.	$1.00	Q	6-30	7-15
$3	V. Vivaudou com.	$0.75	Q	7-1	7-15
$3	Wrigley, Wm., Jr.	$0.25	M	7-20	8-1

(Continued from page 464)

promise is held forth of an improvement in earnings per share for the full year 1927. The latest balance sheet of the company, dated December 31, 1926, discloses a sound financial condition. Current assets total 48.8 millions, against current liabilities of 10 millions, leaving 38.8 millions net working capital. Cash and marketable securities amounted to approximately 10.5 millions. There were no bank loans. While earnings have been subject to some fluctuations since the deficits reported in the post-war deflationary years, the average has been good, and the company at present enjoys a substantially improved status. Increased dividend payments do not appear to be a matter of the reasonably near future, but we regard the longer range outlook as favorable to an extent to justify the belief that where patience is employed and the shares are held for the reasonably long pull, regardless of temporary market price fluctuations, the results achieved should warrant continued retention for further eventual price appreciation.

VANADIUM

Last year I bought 30 shares of Vanadium at 36 and have a good dividend return on it while the stock shows me a market profit of more than $10 a share. How is the company's business keeping up? The reports I hear are conflicting. Would I do well to take my profit or should I hold on?—A. F. L., Hoboken, New Jersey.

As a result of operations in the subnormal year of 1921, Vanadium Corporation of America reported a deficit of $381,000, followed by profits equal to 79 cents per share in 1922, $1.83 in 1923, $1.80 in 1924, $4.39 in 1925 and $5.50 in 1926. Although profits for the 1927 second quarter are not expected to come up to the $1.65 per share earned on the 376,637 shares in the first quarter, indications are that the first half year results will show improvement over the $2.76 per share reported in the corresponding period of 1926. Latest balance sheet dated December 31, 1926, shows a sound financial condition. Total current assets amounted to 6.25 millions, against current liabilities of less than $500,000, leaving net working capital of about 5.8 millions. Cash and marketable securities totaled approximately 3 millions. There were no bank loans. The company is so situated financially that it is enabled to distribute the major portion of profits in the form of dividends. However, earnings are subject to changes in the steel and automotive industries, and present indications are that operations in the steel industry have reached their peak for some time to come, in addition to which prospects are for contraction in the automotive industry. Therefore, while the company's showing in later years has been gratifying, which has permitted of a rather liberal attitude toward shareholders in the matter of dividends, we fail to see anything in the present situation or visible prospects for the future to justify the belief that the shares are now undervalued, and that outstanding

(Please turn to page 468)

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This booklet explains in detail the features of Odd-lot investing. If interested, the prominent N. Y. Stock Exchange firm issuing this booklet will be pleased to send you a complimentary copy. Ask for 278.

MANUAL OF CHAIN STORE SECURITIES

This manual gives data on many such companies as well as the familiar Woolworth, Kresge and United Cigar Store chains. To many investors, this information will be a real revelation, for comparatively few realize the remarkable strides that have been made of recent years in this field of merchandising. Copies of the manual may be had on request. Ask for 398.

"INVESTING FOR SAFETY"—

The newest publication of S. W. Straus & Co., 565 Fifth Ave., New York City, describes in detail the methods followed by this organization in underwriting first mortgage real estate bond issues. Send for your free copy 217.

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This booklet describes a practical partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent, independent income may be built through the Systematic investing of small sums set aside from current earnings. Ask for 318.

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An interesting booklet describing how guaranteed first mortgage Prudence Bonds may be purchased in small installments. Special features of the booklet are the chart which shows how money grows and the fact that the partial payments draw 5½% interest. (316)

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Knowledge gained over a long period of years makes it possible to determine whether a given spot in a city will have a growth in property value which will be steadily increasing. This is only one of the important factors of safety of Real Estate Bonds which are explained in this booklet. Ask for 327.

CONSISTENT INVESTMENT SUCCESS

The sound investment principles followed by the Brookmire Service and the adaptability of these principles to the requirements of every investor, large or small, is described briefly in this interesting booklet. Send for your free copy 413.

YOUR BUSINESS AT YOUR FINGER TIPS

If increased efficiency in your business organization is your aim, you will want to read this interesting booklet explaining how you can speed up the inter-department traffic and communications. Send for your free copy 408.

(*Continued from page* 466)

possibility exists for substantial market price appreciation over a reasonable period of time. We believe you would do well to realize your satisfactory profit.

INTERNATIONAL PAPER

What do you think of the outlook for International Paper? I have been a stockholder for some years but I must admit that I do not like the expansion of the company's capital obligations. Is it true that the company is also going to put out additional preferred stock—and what effect will it have on my common? I did not exercise my right to subscribe to additional common but sold the rights for $12. The stock originally cost me 54.—E. A. K., Pittsburgh, Pa.

Although its history dates from 1898, the character of International Paper Co as a commercial enterprise has changed so materially in late lears that a comparison with its record in former years is of little value. Capitalization has undergone substantial increase in later years. Following offering of 500,000 additional common shares to stockholders and the more recent public offering of 15 millions 7% cumulative preferred stock capitalization now consists of over 72 millions funded debt; 47.64 millions 7% preferred; 2.652 millions 6% preferred; and 1 million no par common shares. The company, and snbsidiaries, remains the largest paper maker in the world, and now is one of the leading owners of timber-lands and water-powers on the North American continent. Water-powers in operation or under construction aggregate some 600 thousand h.p. (about 85% hydro-electric), with a further potential development of more than that amount. Indications of greater stability in prices of newsprint and substantially increased economies in operation, together with enlarged capacity, should result in steady increases in net earnings for several years. The public utility aspect of the enterprise is of vast importance, and the time is not far distant when returns from its huge investments in water-power development will begin to accrue. Latest balance sheet presents a picture of sound finances. While much of organization's prosperity lies in the future, and recent increases in preferred and common stocks likely to retard material advance in market prices of the common until the digestive process has been completed, where patience is employed we believe the results achieved should justify holding.

TRADE TENDENCIES

(*Continued from page* 408)

quently offered whenever an order of any sizable dimensions is the prize. This is especially noticeable in those sections of the country where competition is keen and the distance from producing centers considerable.

Third quarter requirements are below expectations. Weakness in some of the heavier finished lines, such as bars, plates and shapes, has been partly responsible for this situation, and many consumers are unwilling to commit themselves until a definite price trend has been established. On the other hand, sheets and strip steel prices have been strong. Bookings of sheet manufacturers are increasing, and for almost a month now operations of independent makers in the Mahoning Valley continue along at a more active pace.

Demand for reinforcing bars and other materials used in construction roadwork has been larger. This is natural and is to be expected in view of the fact that this is the time of the year when most of the roadbuilding is done. Awards of fabricated structural steel have increased, although activity in this branch of the industry is not exceptional. Railroad demand continues irregular, locomotive purchases being chiefly for switching engines; freight car specifications have been fairly steady. Automobile companies are holding up well; buying of sheets from this source has been a sustaining factor in the steel demand.

The situation in pig iron remains dull and uninteresting. The market is quiet, and an easier tone is noted in some districts. Buying for the third quarter has gone ahead at a moderate pace, although in some localities there has been a slight improvement. For the most part buyers are maintaining a non-committal attitude and appear to be content to await developments. In order to increase sales Cleveland iron makers have introduced a cut of 50 cents.

Coke has done nothing startling; on the contrary, it has been rather quiet. However, cuts in production are adding a strengthening influence, but it does not appear probable that anything unusual will happen in the coke market during the summer without the aid of unexpected developments, possible outgrowths of the coal strike.

Dividends

The Cudahy Packing Company

Chicago, Ills., June 21, 1927.

The Board of Directors has this day declared a regular quarterly dividend of One Dollar ($1.00) per share on the outstanding Common Stock of Fifty Dollar ($50.00) par value, payable July 15, 1927 to stockholders of record at the close of business July 5, 1927.

A. W. ANDERSON, Secretary.

STUDEBAKER CORP.

(*Continued from page* 396)

sufficient operating economies to overcome this tendency. Much is expected in this connection from the ability of the new Erskine Six to absorb sufficient of the plant overhead to produce corresponding gains in profits. This line is the company's initial representation in cars priced below $1,000. It was introduced last year in Europe, and is designed particularly for export trade, although shipments up to date have been about equally divided between domestic and foreign consumption. Volume production of the Erskine was not achieved until spring. There were 5,250 sold in the first quarter, but output has been gradually increased up to around 300 a day at the present time, so that from now on this innovation should prove a greater factor in earning power. Estimates of total sales of all lines for the second quarter are in excess of 33,000 cars as against 23,905 during the first three months. It will be extremenly disappointing, therefore, if earnings for the later period do not show a marked improvement, and, unless this is the case, it will indicate that the price reductions that occurred late in the winter are proving too great a burden under prevailing conditions.

It would not be well in any event to become unduly pessimistic on Studebaker's future, simply on the basis of 1927 results. The company has a solid background of achievement, is thoroughly seasoned, has an excellent dealer organization, and the advantage of a certain relative stability in comparison with many automobile manufacturers through supplying practically all the parts and equipment which go to make up the finished product. The management is somewhat more conservative than the average and perhaps slower in making radical changes in policy, but this quality, while not so conducive to a speculative interest in the enterprise, at the same time has much to commend it, and should be of assistance in weathering the present storm of competition pending the achievement of greater stabiiity in the automobile industry. *Studebaker common around 51 is not outstandingly attractive from the point of view of material profits within a short time, but among the motor group it does appear to offer the highest yield commensurate with reasonable expectations of safety.*

For Articles to Appear in the Next Issue, See Page 367.

GETTING AT UNDIVIDED PROFITS WOULD INCREASE STOCKHOLDERS' CHANCES FOR DIVIDENDS

(*Continued from page* 379)

additional punitive tax, under the laws of 1921-22-23. The holding company had a gross income of $305,745.65 in 1922. After deducting practically the whole of this income, as non-taxable, the holding company had no net taxable income. Then in 1922-23 the holding company declared no dividends at all. Here unquestionably an enormous income, essentially of a personal nature notwithstanding the corporate disguise, paid no income tax whatever directly, or indirectly, normal or surtax during the period of three and possibly more years.

The Investigating Division recites 78 companies that, apparently, are evading Section 220 of the Bureau of Internal Revenue. The facts regarding one of these companies are that on April 7, 1926, Mr. X incorporated it with an authorized capital stock of $100,000, turning over all the stock to his wife and four children, except three shares personally retained to qualify him as a director. In three successive years the profits of the company were $820,193.02, but dividends for the entire period, being declared in only one year, were but $50,000, leaving more than $770,000 undistributed. This evasive gentleman escapes the surtax net through the opinion of the Solicitor that he is not subject to the law because, since the company was formed before high surtax rates came in, he could not have had a surtax evasion motive. The investigating report sadly concludes in this case that there is no hope of checking the evasion of 220 if such a flagrant case can escape.

Just to make the case against the Treasury Department convincing, the Investigating Division presents a group of eighteen corporations which the Bureau of Internal Revenue has never even considered in connection with Section 220. These eighteen corporations had, during certain years, a total net income of $16,395,071, including domestic dividends of $6,059,430, leaving a net taxable income of $10,064,511. The total tax paid out of this amount was $1,242,725. The cash dividends were $1,908,849. Thus out of real profits of more than $16,000,000 less than $2,000,000 was distributed and subjected to surtax—and practically all the companies are mere holding or investment companies. The Investigating Division even contends that unless Section 220 is enforced it is possible for corporations to be so manipulated as to avoid the normal corporation tax as well as the personal surtax.

This spectular feat of tax-evasion-bootlegging may be easily outlined hypothetically, and there is no telling how frequently it is resorted to in practice. Suppose the Slick Corporation en-

joys a net income from its business of $60,000 a year. And further, "suppose it invested the surplus in the stock of domestic corporations, which brings it a further income from dividends of $60,000. The corporation then borrows from a bank, by depositing this stock as collateral, and with the borrowed money buys more domestic corporation stock, which brings in an additional income to $60,000. We now have the net income from the business amounting to $60,000 and dividends from the stock of domestic corporations amounting to $120,000, making a total of $180,000. In arriving at the net taxable income of this corporation, we deduct the domestic dividends of $120,000, and interest paid to the bank of $60,000, leaving no net taxable income. This corporation then will pay no taxes as a corporation, and if no distribution of profits is made the stockholders will pay no surtaxes.

A certain cannily cunning tax-dodging holding company actually has a record of avoiding all normal federal income taxation in the above named manner for a period of seven years, and perhaps longer, yet the total assets of this corporation are $20,000,000 and its gross income is over $2,000,000 a year, the net income somewhat under $2,000,000, and the actual surplus is as high as $7,000,000. This charming device for evading the taxes is a corporation composed of a certain banker and his wife. For seven years the only federal taxes paid by this smart concern even indirectly have been the surtaxes on $720,000, the only dividend distribution in the whole period. Unless some extraordinary emergency arises, this matrimonial corporation can be maintained indefinitely, and keep on snowballing its fat taxless profits.

While it would be superfluous to deny that the Treasury Department has little sympathy with Section 220 in aggressive action, it is only fair to say that drastic application of the law would probably get nothing for its pains, but its voidment by the courts as unconstitutional. It is a very delicate question to determine in the cases of tens of thousands of corporations whether retained surpluses are reasonably necessary to the welfare of the business. Who is to be the judge in such cases, assuming no intent whatever of evading surtaxes—the owner and managers of the business, or the Bureau of Revenue? Manifestly, if the latter, the government, becomes the financial manager of every corporation in the United States, an intolerable condition of affairs from which there would be but one short step to state Socialism.

On the other hand, it is undeniably provocative of anger on the part of fully taxed, or even over-taxed, individuals that there should be such glaring evasions of the surtaxes. One principle of taxation is that it shall be tempered to the shorn lamb and also to the fleecy lamb. It is far more equitable and bearable for your $100,000 a year man to pay a tax of $10,000, than it is for your $1,000-a-year man

to pay $10. But the wealth that escapes easily endurable taxation by dodging Section 220 is undoubtedly of vast extent. There is no way of telling how much, but one investigator holds the view that at least $300,000,000 of net income that ought to be in the surtax columns escapes through curtailed distribution of earnings that should properly be put in dividend account. How much escapes by resort to secondary corporations, which are not subject to surtaxation, nobody can even guess. There are 417,000 corporations making federal income tax returns, and 236,000 of them have taxable incomes.

It is argued that the resort to holding or investment corporations whose real purpose is to evade the surtax may snowball, if generally adopted, into dangerous magnitude. Notwithstanding the multiplication of shareholders in recent years, many public corporations are still controlled by a few persons, usually persons of great wealth, who can easily forego the enjoyment of income from particular sources.

If Section 220 were enforced these persons would be compelled to make dividend distributions that would be reached by the surtax. In this way the utilization of public corporations at once to build dangerously large privately controlled fortunes and avoid taxation would be checked. Sometimes, no doubt, control of corporations by persons who do not have pressing use of the funds derivable from dividends works great injustice, if not hardship, to minority investors. There is the case of the Southern Railway Company, for example, which enjoyed satisfactory earnings for more than a decade before it began paying common stock dividends. Of course, it would take a Solomon or a Philadelphia lawyer to say at just what point the Southern was justified in ceasing to use its surplus to fertilize its property rather than to gratify its shareholders. Nevertheless, it is strongly suspected that the point had been long passed before the dividends were paid, and that it would have been still further passed if it had not come about that the dividend-hungry shareholders succeeded in changing from a minority to a majority.

No doubt the strict enforcement of the principle of 220, strengthening the law for that purpose if necessary, would result not only in more revenue, but in larger dividend disbursements, the latter being of more significance to thousands of people than the former. In fact, probably most of the dividend checks would not pile up income to the surtax level, certainly not to the larger brackets. Thus, when a controlling group that does not need its dividends and can, therefore, plan to escape surtaxes, estops the payment of dividends it holds back funds that, in the hands of the small investors, would not be subject to surtaxes, and in the smaller amounts might even be exempt from the maximum normal income rates.

It might seem, therefore, that small and minority stockholders would be keenly interested in having a Section

220 with teeth that would be operative. But the insertion of teeth might involve the risk of the further extension of the grasping though dead fingers of bureaucracy. If the Federal government is to undertake to tell every corporation in the land what is and what is not a reasonable surplus of undistributed earnings, it will come near to controlling them in every respect. The present administration of the Treasury has felt that it had no constitutional right to undertake such a responsibility. It has taken the position that the only competent source of such a decision is the responsible management of the corporation—and that even in the case of holding and investment corporations, where evasion is most flagrant, it is highly dangerous for the Federal authorities to undertake to say where runs the boundary between prudent reserves and downright evasion of taxation.

The Treasury is not opposed to the present Section 220 remaining in the Revenue Act, but it does not want it strengthened. The Treasury values 220 as a psychological influence, but deprecates it as an engine of tax collection. It believes that most corporations in making their returns have Section 220 in mind and, therefore, tend to make distributions larger than they would otherwise be. If the law were strengthened, or were roughly applied in its present form, its constitutionality would probably be attacked on many sides—and there is a general belief that it can not survive the scrutiny of the courts. Pronounced unconstitutional, and, therefore, out of the tax picture, it would lose its present salutary moral influence.

While withholding of dividends that might be reasonably paid, no doubt works hardship to many innocent investors, it is held that in the long run the public need not fear that great wealth will escape taxation. Life is most uncertain and there are few estates, indeed, that can long persist without the distribution of income. The niggardly dividends distributions of holding companies and narrowly controlled companies today may be the extravagant distributions of tomorrow.

For the General Public Good?

As against this hardship of some, there is the general public good that has resulted from the enrichment and strengthening of corporations by plowing earnings back into capital to the betterment of security prices and by having always on hand large cash accounts or easily liquidable securities. Production costs have been lowered, scientific research has been promoted, service has been improved, quality of goods has been bettered and prices have been lowered, because of financial independence attained by withholding the distribution of profits. Thousands of American corporations have used the prosperity of recent years to expand capital from earnings, to such an extent as to make their bank borrowings entirely out of capital use.

Not many are so independent of banks and bankers as Henry Ford, but there is a surprising number of institutions that are so little dependent upon banks that they are in no degree subject to banker control. Business men are generally agreed that any business that is continuously dominated by its bankers is not likely to achieve the first rung of success. What is good for business is also good for banking, as it leaves loanable commercial funds for their proper use of transiently supplementing instead of substituting for invested capital. In the long run, therefore, dividend deprivation is likely to react for the benefit of all concerned, though it may be a painful experience for individuals at times—always assuming that it is not a means to unfair benefits.

A Possibility

It is possible, however, for Section 220 to be so recast in such a manner that corporation managers will have a taxation motive for promptly distributing earnings, other things being equal, as well as for withholding them. The Joint Committee will be asked to consider a proposal to give corporations a certain deduction from the net amount of income subject to the normal corporation tax in recognition of amounts disbursed as dividends. If this is done corporation managers will have to decide in doubtful cases between lightening the corporation's tax burden, through distributing profits, and possibly increasing the surtaxes of some of its shareholders. It is believed that this proposal will not be unconstitutional. Economically, it can be maintained that such an arrangement would be sound. It would reduce the burden on production and increase taxation of individuals who can stand it. The ordinary investor, to whom dividends are the chief consideration, would doubtless welcome the introduction of a management motive that would favorably affect his interests, and that might operate to lighten his taxes by transferring some of the burden to the shoulders of those whose income reaches well into the surtax brackets. It is unfortunate, however, that this proposal will incur the opposition of that large body of public opinion that insistently holds that the normal corporation rate of 13½% is far too high and should be reduced regardless of other taxation reforms. It is not impossible, however, to reconcile normal corporation income tax reduction with this scheme for encouraging distribution of profits.

Out of the more or less heated discussion that has arisen over Section 220 there may evolve a solution that will check the exploitation of corporation fiscal management for the benefit of dominating groups, that will equalize taxation as between individuals, lead to larger dividend distributions, enhance the marketability of shares, and at the same time promote good management.

New York Curb Market

IMPORTANT ISSUES

Quotations as of June 21

Name and Dividend	1927 Price Range High	1927 Price Range Low	Recent Price
Albert Pick Barth wi†	14¾	12⅞	14
Aluminum Co. of Amer	81¾	67⅞	79¾
Amer. Cigar (8)	148¼	115	116
Amer. Gas & Elec. (1)††	100⅛	68¼	88⅞
Amer. Super Power A (1.2)†	38⅞	27¼	36⅝
Celotex Co. (3)	85¾	70	85
Centrif. Pipe (0.60)*	18⅞	9¾	12¾
Cities Service New (1.2)†	58¾	40¼	46¼
Cities Service Pfd. (6)†	90⅛	88⅝	88¾
Consol. Gas of Balt. (2½)	59½	50⅞	58
Consolidated Laundries (2)*	22¾	20	20
Curtiss Aero†	25¼	19	22
Curtiss Aero Pfd. (7)†	94	84¾	92
Durant Motors†	14⅞	5¾	9⅝
Elect. Bond & Share (1)†	76⅞	66½	73
Electric Investors†	40¼	32⅜	37¼
Fajardo Sugar (10)	165⅛	150	158
Ford Motor of Canada (15)	500	393	466
General Baking A (5)*	63⅜	52⅛	59⅛
General Baking B*	7¼	4⅝	5⅛
Gillette Safety Razor (3)†	95	86⅛	89¼
Glen Alden Coal (10)†	182	159⅛	175⅛
Goodyear Tire & Rubber†	58¾	28⅛	50¼
Gulf Oil (1.5)†	96½	86¼	93
Happiness Candy Store (50)	7	4⅛	5⅝
Hecla Mining (2)†	15¾	12⅜	14⅞
International Utilities B	7⅜	3	6⅛
Johns-Manville, new (3)	86	55⅛	79¼
Land Co. of Florida†	36	18	19⅜
Lion Oil & Refining (2.25)*	27½	22	24
Lone Star Gas (2)	46¼	37¼	43
Metro Chain Stores††	45	30	40
Mountain Producers (2.60)†	26⅞	22¾	24⅛
New Mex. & Arizona Land†	16	9¼	11⅝
New Jersey Zinc (8)	194¾	178	182
Nipissing Mining (60c)*	10¼	5⅜	6⅝
Northern Ohio Power†	13¾	9⅞	11⅛
Pacific Steel Boiler (1)*	12¾	9½	10⅜
Puget Sound P. & L.†	34½	28	33¼
Reo Motor (80c)†	23¾	19½	22¼
Salt Creek Producers (2½)†	32	27¼	28⅜
Servel Corporation A†	10¾	3⅜	4⅜
So'east Pwr. & Lt. (new 1)†	38¼	29⅜	35⅛
So'east Pwr. & Lt. Pfd. (4)†	80¾	67⅛	79⅜
Stutz Motors*	21	12⅛	13⅛
Trans Lux*	8⅜	3½	5⅛
Tobacco Products Export†	3⅞	3	3
Tubize Artif. Silk† (10)	255	145	224
United Electric Coal (1.10)	33½	22⅝	25
United Gas & Improvem't (4)	109	89	105⅜

STANDARD OIL STOCKS

Name and Dividend	High	Low	Recent Price
Continental Oil (1)†	22⅝	17⅜	18
Humble Oil (1.6)†	62¾	54	58⅜
International Pet. (.75)	34⅞	28⅛	30
Ohio Oil (2.75)	64¼	52	59
Prairie Oil & Gas†	55½	45⅝	49
Standard Oil of Ind. (2.5)†	74¼	64¾	67⅛
Vacuum Oil (5)†	134	95⅛	128⅜

* Listed in the regular way.
† Admitted to unlisted trading privileges.
†† Application made for full listing.

THE Curb Market is developing more and more into a specialty affair with little change in the general price trend but considerable activity noted here and there in individual issues. During the fortnight under review the public utility shares were somewhat unsettled by profit taking following an extended rise in the price trend of this group for several weeks.

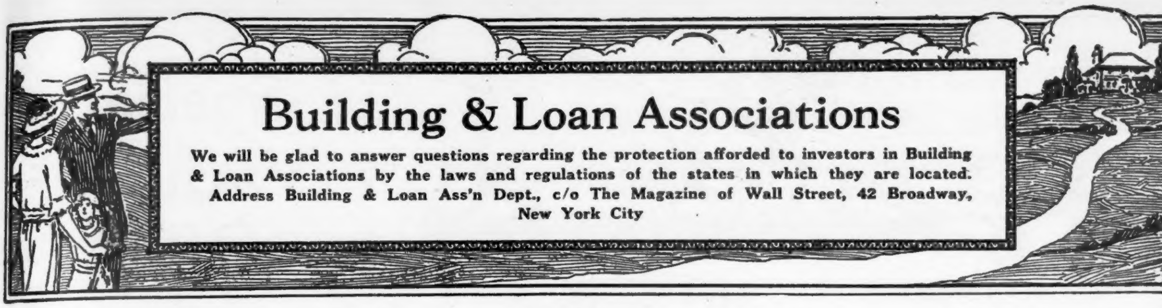
In the face of further increases in the daily average production of crude oil, the petroleum shares were quite firm with small but significant price gains among the stronger companies. *Gulf Oil* has been more active and sold up to 93.

Among the industrial issues, *Aluminum Company of America* made a new high for the year above 81, registering a gain of more than 10 points with no outstanding development in the affairs of the company to which the new buying interest could be attributed. *Celotex*, which was sold recently on reports of flood damage to the company's six million-dollar plant near New Orleans, regained its lost ground on official denial of the report and reached a new high for the year above 85.

Listed among the independent oil stocks on the Curb, *Lone Star Gas*, normally a rather inactive issue, has attracted attention of late, through expansion of its operations in the Southwest and the impressive buying noted on both the New York Curb and the Pittsburgh Stock Exchange. Although it controls some crude oil production and manufactures natural gasoline, the company is primarily a natural gas company with about a hundred producing gas wells in Oklahoma and Texas. It owns 20,000 acres of leasehold and 1,700 miles of transmission lines including both main line and field lines in the various sections serviced. In addition to its own production, it is an extensive purchaser of natural gas; most of its production being sold to distributing companies.

The present company was formed during the early part of last year to take over an operating company of a similar name which has operated the natural gas properties since 1909 with revenues sufficient to maintain an uninterrupted dividend record since 1912. The present company has only one class of shares—1,080,000 shares of $25 par value common stock—and, prior to the acquisition of the Dallas Gas Corp. during the early part of the year had no funded debt. The Dallas Gas Corp. purchase was financed by an offering of 15 million 5% gold debentures which were sold on a basis of a little better than 5%, indicating the strong credit position of the company.

The company is ably managed, has strong financial sponsorship and has shown a consistent record of growth in earning power within recent years which would be still further augmented by recent expansion of its natural gas operations; and the manufacture of natural gasoline appears likely to become an increasingly important branch of its business. The yield from the present $2 dividend is not particularly attractive from a straight income standpoint but patient holders seem likely to benefit from growth in market value of their shares over a reasonable period of time.



Building & Loan Associations

We will be glad to answer questions regarding the protection afforded to investors in Building & Loan Associations by the laws and regulations of the states in which they are located. Address Building & Loan Ass'n Dept., c/o The Magazine of Wall Street, 42 Broadway, New York City

Florida

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This Company has the proud record of not having lost a dollar, not having foreclosed a mortgage, has always met withdrawals on demand and has always paid 8 per cent. dividends, payable 2 per cent. quarterly. We do not employ solicitors nor charge a membership fee on investments with us. All stock is non-assessable and is sold at par and redeemed at par plus earned dividends.

Member "League of Florida Building and Loan Associations"
Member "U. S. League of Local Building and Loan Associations"
Member "American Savings, Building and Loan Institute"

APRIL 5, 1921, $0.00
MCH. 31, 1922, $147,608.20
MCH. 31, 1923, $272,463.58
MARCH 31, 1924, $500,130.44
MARCH 31, 1925, $750,097.74
March 31, 1926, $1,208,168.28
March 31, 1927, $1,557,991.60
Authorized capital $5,000,000.00

Applications for loans far exceed our available funds. We respectfully solicit your investments.

HOME BUILDING & LOAN COMPANY

Under State Supervision

16 and 18 Laura Street, Jacksonville, Fla.
Phone 5-6025

Oklahoma

TWO HUNDRED THOUSAND DOLLARS IN DIVIDENDS

Will be paid to our investors immediately following July 1, 1927. At that time, our Seventeenth Semi-annual Report will be published and distributed to all investors, borrowers and friends.

If interested in a safe, sure, conservative investment, send us your name and address.

Ponca City Building & Loan Co.
Masonic Bldg., Ponca City, Oklahoma.

Name ....
Street ....
City 2

DON'T PAY INCOME TAX!

Wait until rates are lower

Invest in our Prepaid shares. Each $730 invested matures to $1000 in 60 months. Other amounts in proportion. Write us for further information.

Approved depository
U. S. Indian funds

STATE SAVINGS & LOAN ASSN.
Nowata Okla.

New Jersey | New Jersey

100% Protection *plus* **7% Profits**

Assets	
1889	$29,492.63
1892	98,259.16
1897	198,994.92
1902	328,928.50
1907	920,433.63
1912	1,510,901.69
1917	2,718,011.73
1922	7,063,396.60
1927	33,465,858.31

Thus are the two vital elements of common-sense investment assured by West End Building & Loan.

As for protection, the laws of the State of New Jersey provide for that, unequivocally. As for safety, almost synonymous with protection, we have a record to retain unbroken—no loss to any investor in nearly 40 years! As for profits, there is our record of nearly 7% for many years.

Safety is also assured by our policy of conservative first mortgage loans on improved property.

Write or call for Booklet

THE WEST END BUILDING & LOAN ASSOCIATION OF NEWARK, N. J

866-868 BROAD ST. NEWARK, N.J.

Assets over $34,000,000. Under the supervision of the Department of Banking and Insurance of the State of New Jersey.

Colorado

7% Guaranteed Income Payable Quarterly

Full-paid certificates. 5-year term. $50 to $10,000—in bond form. Interest coupons attached. Interest to $300 exempt from Federal income tax. Protected by the safest known type of real estate mortgages and by our substantial permanent capital—plus state supervision. *Write for folder "C".*

Silver State Bldg. & Loan Assn.

Member Colorado State League and United States League of Building and Loan Associations

1648 Welton St., Denver, Colo.

[Colorado Building and Loan Associations are Rated "Class A" by the Magazine of Wall Street.]

Florida

Florida's Safest Investment

Lakeland Building and Loan Association

Authorized
Capital $2,000,000.00

RETURNS 8% WITH 100% SECURITY

Shares for sale at par, $100.00 per share, without bonus or commission of any kind. Pays 8 per cent per annum, in quarterly installments of 2 per cent. January first, April first, July first, and October first of each year. Owners of these shares have no taxes to pay, no insurance to look after and no titles to bother with. Operates strictly under state supervision. One's investment with dividends left to accumulate will double in eight years and nine months.

Let Us Send You Booklet

LAKELAND BUILDING AND LOAN ASSOCIATION
Box 35MW Lakeland, Florida

THE OPPORTUNITY EXCHANGE

A Clearing House For Business Men

IDEAS – SERVICE – COMMODITIES

MEN – AGENTS – BUSINESS OPPORTUNITIES

Printing

LITHOGRAPHED LETTERHEADS

$1.25 per 1000

IN LOTS OF 50,000
25,000 at $1.50—12,500 at $1.75 or
6,250 our Minimum at $2.25 per 1000
Complete—Delivered in New York

ON OUR 20 LB. WHITE PARAMOUNT BOND

A Beautiful, Strong, Snappy Sheet
HIGHEST GRADE ART WORK AND ENGRAVINGS
GEO. MORRISON COMPANY
552 West 22nd St. New York City
SEND FOR BOOKLET OF PAPER AND ENGRAVINGS

Business Opportunities

BIG BUSINESS OPPORTUNITY

$400 MACHINE EARNED $5040 IN ONE YEAR; $240 machine $2448; $160 machine $2160. Many St. Louis machines earned annually $4000. One man placed 300. Responsible company offers exclusive advertising proposition. Unlimited possibilities. Protected territory. $1000 to $3000 investment. Experience unnecessary. NATIONAL KEI-LAC COMPANY, 312 N. 19th St., St. Louis, Mo.

Dividends and Interest

American Type Founders Company

Jersey City, N. J., June 15, 1927.

A quarterly dividend (No. 101) of one and three-quarters per cent on the Preferred Stock and a quarterly dividend (No. 118) of two per cent on the Common Stock have this day been declared, payable July 15, 1927, to stockholders of record at the close of business July 5, 1927. Checks mailed by The Bank of America, Transfer Agent, 44 Wall Street, New York City.

WALTER S. MARDER,
Secretary.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY

A Quarterly Dividend of 2% ($1.00 per share) on the PREFERRED STOCK of this Company will be paid July 15, 1927.

A Dividend of 2% ($1.00 per share) on the COMMON STOCK of this Company for the quarter ending June 30, 1927, will be paid July 30, 1927.

Both Dividends are payable to Stockholders of record as of June 30, 1927.

H. F. BAETZ, Treasurer,
New York, June 20, 1927.

THE WESTERN UNION TELEGRAPH COMPANY

New York, June 14, 1927.

DIVIDEND NO. 233

A quarterly dividend of TWO PER CENT has been declared upon the Capital Stock of this Company, payable on July 15, 1927, to stockholders of record at the close of business on June 25, 1927.

The transfer books will remain open.

G. K. HUNTINGTON, Treasurer.

MAGMA COPPER COMPANY

A dividend of seventy-five cents per share has been declared on the stock of this Company payable July 15, 1927, to stockholders of record at the close of business on June 30, 1927.

H. E. DODGE, Treasurer.
June 16, 1927.

Dividends and Interest

United States Realty and Improvement Company

111 BROADWAY, NEW YORK CITY.

The directors of this company today declared a dividend of one dollar ($1.00) on each share of its stock without nominal or par value issued and outstanding, payable on September 15, 1927, to holders of record of such stock at the close of business on August 25, 1927.

For the purpose of such dividend, holders of record at the close of business on August 25, 1927, of certificates for shares of common stock of the par value of one hundred dollars, which will not have been exchanged for certificates of stock without nominal or par value, will be deemed the holders of record of 2½ shares of stock without nominal or par value for each share of common stock of the par value of one hundred dollars held on said date, as if such exchange had been made, and will be entitled to said dividend.

The proper officers of the company are authorized to withhold payments of the aforesaid dividend in so far as said dividend is declared in respect of any outstanding one hundred dollars par value common stock certificates until such one hundred dollars par value common stock certificates shall have been surrendered in exchange for certificates of stock without nominal or par value.

Dated New York, June 16, 1927.

ALBERT E. HADLOCK,
Treasurer.

DODGE BROTHERS, INC.

The regular quarterly dividend of $1.75 per share on the Preference Stock of the Corporation, has been declared, payable July 15th, 1927, to stockholders of record at the close of business June 27th, 1927.

R. P. FOHEY,
Secretary.

AMERICAN CAR AND FOUNDRY COMPANY

STOCKHOLDERS' MEETING

The Stockholders of American Car and Foundry Company are hereby notified that the regular annual meeting of the Stockholders of said Company will be held at its office, No. 1 Exchange Place (First National Bank Building), Jersey City, New Jersey, on Thursday, the 14th day of July, 1927, at 12 o'clock noon, for the purpose of electing a Board of Directors and transacting such other business as may be brought before the meeting.

H. C. WICK, *Secretary.*

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

BELL SYSTEM

151st Dividend

The regular quarterly dividend of Two Dollars and Twenty-Five Cents ($2.25) per share will be paid on July 15, 1927, to stockholders of record at the close of business on June 20, 1927.

H. BLAIR-SMITH, Treasurer.

The New York Central Railroad Co.

New York, June 15, 1927.

A Dividend of Two Dollars ($2.00) per share on the capital stock of this Company has been declared payable August 1, 1927, at the office of the General Treasurer, to stockholders of record at the close of business July 1, 1927.

H. G. SNELLING, General Treasurer.

Dividends and Interest

Associated Gas and Electric Company

61 Broadway, New York

Dividend No. 10 on Class A Stock

The regular quarterly dividend on **Class A Stock of 50c per share** has been declared for the quarter ended July 31, 1927, to stockholders of record at the close of business June 30, 1927, payable August 1, 1927.

Holders of Class A Stock may apply this dividend to the purchase of additional shares of Class A Stock at the price of $20 per share whereas the present market price is about $41 per share. This is equivalent to a stock dividend at the rate of 10% per annum, yielding, at said present market price, over $4 per share per annum.

The dividends will be so applied and the Class A Stock (or scrip certificates for fractional shares) purchased therewith will be delivered to all stockholders entitled thereto who do not, on or before July 15, 1927, request payment in cash.

M. C. O'KEEFFE, Secretary.

SEABOARD AIR LINE RAILWAY

Five Per Cent Adjustment Mortgage Gold Bonds

An instalment of interest on Seaboard Air Line Railway Adjustment Bonds amounting to 2½% ($25.00), represented by February 1, 1925, coupons, Nos. 59 and 60, for $12.50 each, has been declared and will be paid on and after August 1, 1927, at the office of The New York Trust Company, No. 100 Broadway, New York.

SEABOARD AIR LINE RAILWAY CO.,
By ROBT. L. NUTT,
Vice President and Treasurer.
New York, June 18, 1927.

INTERNATIONAL PAPER COMPANY

New York, N. Y., May 25th, 1927.

The Board of Directors have declared a regular quarterly dividend of one and three-quarters per cent (1¾%) on the Cumulative 7% Preferred Stock of this Company, and a regular quarterly dividend of one and one-half per cent (1½%) on the Cumulative 6% Preferred Stock of this Company, for the current quarter, payable July 15th, 1927, to holders of record at the close of business July 1st, 1927. Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD,
Vice-President and Treasurer.

ENDICOTT JOHNSON CORPORATION

Dividend No. 33

The Board of Directors has declared a quarterly preferred dividend of One Dollar Seventy-Five Cents ($1.75) per share and a common dividend of One Dollar Twenty-Five Cents ($1.25) per share, payable July 1st, 1927, to stockholders of record at the close of business June 20th, 1927.

Checks will be mailed by American Exchange Irving Trust Company, Dividend Disbursing Agent.

MAURICE E. PAGE, *Secretary.*
June 9th, 1927.

$7,500,000

Shubert Theatre Corporation

6% Gold Debentures due June 15, 1942

Dated June 15, 1927. Interest payable June 15 and December 15 in New York City at the office of J. & W. Seligman & Co. Coupon Debentures in denomination of $1,000. Corporation to pay Normal Federal Income Tax deductible at the source up to 2%. Pennsylvania Four-Mills Tax refunded to resident holders upon application made within 60 days after payment.

Debentures callable at any time in whole or in part on 30 days' notice at 105 and interest, if called on or before June 15, 1932, with successive annual reductions in the redemption price of ½% thereafter until maturity.

THE EQUITABLE TRUST COMPANY OF NEW YORK, Trustee

CAPITALIZATION

	Authorized	To be presently Outstanding
6% Gold Debentures due June 15, 1942 (this issue)	$7,500,000	$7,500,000
Common Shares (without par value)	250,000 shares	160,660 shares

Real estate mortgages on individual theatres and real estate parcels aggregate $5,740,052.

The following has been prepared by Lee Shubert, Esq., President of the Corporation, from his letter dated June 8, 1927:

Business

The Corporation was organized June 24, 1924, and took over substantially all the business previously carried on by Lee and J. J. Shubert and their affiliated corporations. The business was established more than 25 years ago and is the largest of its kind in the world.

The business is a cash business.

It combines the steady profits of theatre proprietorship with the opportunities for more speculative profits to be found in production of theatrical attractions.

Proprietorship of Theatres

This constitutes the major part of the business.

The Shubert circuit embraces 95 first-class theatres owned, leased or booked in New York, Chicago, Philadelphia, Detroit, Boston and other large American cities and in London.

It houses more than 60% of the entire first class "legitimate" theatre business of the United States and includes such well known theatres as:

New York

Ambassador	Elliott	Morosco
Bijou	Forrest	Music Box
Booth	44th Street	National
Broadhurst	49th Street	Plymouth
Casino	Harris	Ritz
Central	Imperial	Shubert
Century	Jolson's	Shubert-Riviera
Chanin's 46th St.	Longacre	Teller-Shubert
Cort	Majestic	Winter Garden
Cosmopolitan		

Chicago

Four Cohans	Harris	Princess
Garrick	Olympic	Selwyn
Great Northern		

Philadelphia	*Detroit*	*Boston*
Adelphi	Cass	Copley Square
Chestnut Opera	Detroit Opera	Majestic
Lyric	Garrick	Plymouth
Shubert	Lafayette	Shubert
Walnut		Wilbur

London

Adelphi	Gaiety	Shaftesbury
Apollo	His Majesty's	Winter Garden

About 75% of the total occupied time of the circuit is occupied by other producers out of whose attractions the Corporation makes profits by receiving a share of box office receipts for the use of its theatres.

Production of Theatrical Attractions

Although Shubert attractions occupy only about 25% of the occupied time of the circuit, the Corporation is by far the largest single producer.

Among the attractions recently produced by it are, "The Student Prince," "Big Boy" (Al Jolson), "Countess Maritza," "The Circus Princess," "My Maryland" and "Artists and Models."

Purpose of Issue

The proceeds of these Debentures will be used in part to retire the Corporation's 7% Debentures now outstanding in the amount of $3,114,000 (which the Corporation has agreed to call for redemption on or about July 15, 1927) and in part to reimburse the Corporation for theatre properties and adjacent real estate recently purchased, and for a new storehouse, and will provide funds for acquisition or construction of further theatres and for other corporate purposes.

Earnings

Messrs. Haskins & Sells have made an annual audit of the books and accounts of the Corporation and its predecessors. Their audit shows:

Year Ended June 30th	Provision for Depreciation of Theatre Buildings and Improvements and for Amortization of Leaseholds	Net Earnings Available for Interest on Debentures and for Federal Taxes
1924	$201,886	$2,000,560
1925	265,616	1,404,183
1926	281,751	2,781,611
1927 (9 months)	*238,590	*1,829,452

*Company figures, not yet audited.

For the above period available earnings averaged $2,137,549 per annum, equivalent to 4.75 times the maximum annual interest on the Debentures. Federal taxes averaged $221,352 per annum.

The above figures do not give effect to the benefits expected to result from the present financing.

Assets

Net tangible assets will be $16,375,065, equivalent to more than twice the total issue of Debentures.

Theatre leaseholds (except three purchased for cash), and motion picture and other rights, of a large present cash value, are taken at $1.

Sinking Fund

Sinking Fund to retire $300,000 of Debentures per annum; or 60% of the total issue by maturity, through semi-annual payments commencing November 1, 1927, to operate by purchase or call by lot.

Equity

The Debentures are followed by 160,660 Common Shares having a market value on the New York Stock Exchange of about $58 a share or more than $9,000,000.

Exercise of the outstanding Stock Purchase Warrants on 29,340 shares would add more than $1,400,000 to this equity, and correspondingly increase cash resources.

Management

The management is in the hands of Lee Shubert and J. J. Shubert.

The above is subject to a circular which will be furnished on request.

These Debentures are offered when, as and if issued and accepted by us, subject to prior sale and to the approval of our counsel, Messrs. Cravath, Henderson & de Gersdorff, and of counsel for the Corporation, William Klein, Esq. The Corporation has agreed to make application in due course to list these Debentures on the New York Stock Exchange. It is expected that temporary Debentures, exchangeable for definitive Debentures when prepared, will be ready for delivery about June 28, 1927.

Price 96 and Interest to yield 6.41%

The 7% Debentures to be called for redemption will be accepted in payment for these Debentures on a 4½% interest yield basis.

J. & W. Seligman & Co. — **The Equitable Trust Co. of New York**

Stevenson, Perry, Stacy & Co. Incorporated — **Kissel, Kinnicutt & Co.**

The statements contained herein are not guaranteed but are based on information which we believe to be accurate and reliable.

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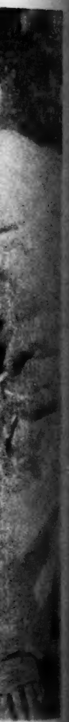

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